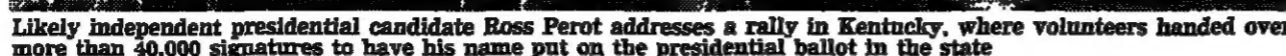




## Summer sun shines on Ross Perot

## US TO SCALE D



were born only 35 miles apart. But, having campaigned as the candidate of "change", he senses Mr Perot is stealing his clothes. "It's harder for me to make that case because I've been a governor and an elected official," he said. "I've got to show I've got a record of actually doing some of the things Mr Perot is talking about."

This explicitly recognises the reason for Mr Perot's current strength - a great lack of public confidence in the ability of

the conventional political system to deliver the economic and social goods.

If Mr Perot is vulnerable, it will probably be on his record as a ruthless tycoon intolerant of dissent and always willing to cut corners to achieve an end. Meanwhile Mr Clinton struggles to be heard and Mr Bush lets Mr Quayle preach the older doctrines of conservatism. It promises to be a long hot summer of political discontent.

The printing and retailing agreements further demonstrated the powerful influence of the metal working industry over the whole of Germany's private sector. Three big industries have now settled since the IG Metall union accepted 5.8 per cent on behalf of almost 4m engineers at the start of this week.

A 5.8 per cent award for 1m construction workers was agreed on Tuesday.

The nature of the IG Chemie

The only big strike, which paralysed many public services for 11 days earlier this month, ended with an average 5.4 per cent award for rubbish collection workers, public transport and postal staff. The 6TV union leadership, which had demanded a package worth up to 11 per cent, has since come under heavy fire from members, who rejected the award in a subsequent ballot.

The leadership has since been busy trying to explain the details of the settlement and its reasons for accepting. Subsequent deals in the private sector, only marginally above that for public servants, have tended to convince ATV members that there is little if nothing to be gained from further strikes.

The union council, which meets on Monday, is expected to override the ballot result and call off all action.

Leaders of all the big parties have been campaigning in Berlin, in an extraordinary demonstration of the importance they attach to the outcome. They fear a combination of an acute housing shortage, rising rents and prices, unemployment in the former east Germany, and an influx of foreigners, could encourage support for the far right.

Presidents Boris Yeltsin and Lech Walesa, yesterday signed a treaty of friendship and co-operation and agreed final terms for the withdrawal of Russian troops from Poland. writes Layla Boulton in Moscow

Some 40,000 men are to leave Poland by November 15, leaving behind a few thousand non-combat troops to supervise the return of Russian troops from eastern Germany.

The Palestine Liberation Organisation yesterday won a clear victory over Islamic fundamentalists in a rare election in the West Bank, writes Hugh Carmey in Jerusalem.

PLO-backed candidates nine of the 12 posts in the Nablus chamber of commerce against three for Islamic candidates.

Elections to chambers of commerce have been almost the only test of political opinion since Israel scrapped municipal elections.

United Nations delegates yesterday agreed a treaty to protect the planet which world leaders are due to rubber-stamp at the Earth Summit in Brazil next month. Reuter reports from Nairobi. "All delegations agree to the treaty," said Vicente Sanchez of Chile, chairman of the conference on biological diversity.

**Mr Fidel Ramos, the former Philippines defence secretary, has widened his lead in the presidential election, with 54 per cent of the vote counted, writes Jose Galang in Manila.**

**Mr Ramos, has recorded 881,900 more votes than Mr Eduardo Cojuangco, the business tycoon and "crown" of former president Ferdinand Marcos.**

**In third place is Mrs Miriam Defensor Santiago.**

**China confirmed yesterday that it had conducted an underground nuclear test, which western experts described as one of the most powerful ever in underground testing, AP reports from Beijing.**

The new aircraft would be a shorter derivative of the 150-seater A320 twin-engine aircraft. The consortium is already manufacturing a

stretched 180-seater version of this aircraft, the A321.

It is expected to be assembled at Hamburg together with the A321, although France has expressed concern over its share of the work on the A319 if the airliner was assembled and completed in Germany.

Although the A319 is likely to compete against some of the separate regional jet programmes of the Airbus partners, Mr Jean Pierson, Airbus managing director, argued that the new aircraft would enhance the competitive position of Airbus against its two main rivals, Boeing and McDonnell Douglas of the US.

The A319 is expected to enter service in late 1995.

FRANCE and Germany yesterday supported the early enlargement of the European Community to include members of the European Free Trade Association, and urged that membership negotiations should start as soon as possible.

At the end of a two-day summit in La Rochelle, President François Mitterrand and Chancellor Helmut Kohl said their two governments welcomed the candidacies of those Efta countries - Austria, Sweden and Finland - which have applied to join the Community.

They said these countries

had shown they were willing to accept the Community as it was, and to join member states in their progress towards the European union, as set out in the Treaty of Maastricht.

They were convinced that the membership of these countries would reinforce the European Union, economically and politically.

The two leaders also formalised their decision to set up a joint Franco-German corps of some 35,000 men, which would be operational in 1995. They said the new unit would contribute to giving the European Union its own military capacity, and called on the other members of the nine-nation Western European Union.

**THE Organisation of Petroleum Exporting Countries** looked set last night for formally to "roll over" a second quarter production agreement into the third quarter, but to allow for a rise of around 300,000 barrels a day (b/d) in Kuwaiti production.

Ministers were in a closed session, apparently finalising the deal.

A communique after Opec's two-day ministerial meeting was expected to be vaguely phrased on the nature of a target third-quarter ceiling. But

AN initiative to establish a framework of political co-operation between the European Community and the three Visegrad countries - Poland, Hungary and Czechoslovakia - will be signalled next week by Mr John Major during a visit to central Europe.

To underscore his commitment to their eventual membership of the EC, Mr Major plans to invite the three countries to a joint meeting with Community leaders after Britain assumes the presidency

One last, broader discussion in Whitehall is that the heads of state of the three countries should attend the EC summit in Edinburgh in December. Mr Major is expected to raise the possibility during his talks next week with Presidents Václav Havel of Czechoslovakia, Lech Wałęsa of Poland, and József Antall of Hungary.

Mr Major wants to assure the Visegrad countries that the years they have waited up to the time envisaged for EU membership does not preclude a closer relationship in the short term.



the three countries during visits next week to Warsaw, Prague and Bratislava, and Budapest. The trip, his first abroad since his general election victory last month, is intended to demonstrate a personal commitment to intensified political links between the EC and central Europe.

## Pisa's lean times may be over

After 800 years, tower's tilt must be stopped, writes **Robert Graham**

**T**HE WORLD'S toughest corset is being fitted on a very special customer, the Leaning Tower of Pisa. This week, workmen began to place 18 thin steel bands round the base of the white marble tower as an emergency measure, to contain the stress on the 14.53-ton structure. In its 800-years history as a leaning tower, this is the first time such direct assistance has been necessary.

The tower has been closed since January 1990, when the rate of tilt was inacceptably found to have increased from 1.2mm a year over 1.3mm a year. Although infinitesimal, the 750 tonne belfry at the top has moved nearly a quarter of a metre from the vertical in the last 100 years. The accumulated deviation is now close to 5.5 metres and there were fears the building would either topple over or break up under the stress of the increased tilt.

The experts, the 17th commission since 1298, are working on the premise that the tower must continue to be seen as leaning and free-standing. Indeed, this is one of the rare instances in conservation where a monument's defects are being consciously preserved.

The emergency measures do not stop here. The group of 14 international experts overseeing the fate of the tower this week agreed to a scheme to stabilise the monument's famous incline. "We are going ahead with the placement of 600 tons of lead slabs at the base of the tower," says Prof Michele Jamiolkowski of Turin Poly-

After all the past false alarms and eccentric proposals, one of which suggested propping up the tower with a Coca-Cola bottle, the government was sufficiently concerned to appoint an international body of experts and set aside funding for a rescue operation.

The lead will be placed on the north side, opposite the tilt, will cover about a quarter of the tower's circumference and will be about three metres high.

"This is an experiment in controlled subsidence," says Prof Carlo Viggiani of the University of Naples. "Imagine the tower is resting atop a mattress: if you press down on one side of the mattress, the tower will move."

Prof Buriland says it is the first time co-ordinated multi-disciplinary scientific research has been carried out on the tawny Oleaster in the

Thus, the experts have ruled out dismantling the tower and rebuilding it on the following suggestion of a Chinese engineer who claimed great success in righting pagodas. They want to strengthen the tower and reduce the tilt slightly.

The experts are now talking either of preventing further access to the water table around the tower by city users or of creating an underground barrier which would maintain a constant water level around the tower.

A final solution is likely to take at least three years, and Mr Sergio Cortopassi, Pisa's Socialist mayor, is anxious to keep pressure on the politicians in Rome who control the purse-strings and the bureaucratic short-cuts.

"Pisa without the Leaning Tower would not be Pisa," he says.

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Implementing article 46a, Law 1892/1990 (article 14, Law 2000/1991), the liquidator "EPSILON INFORMATION SYSTEMS S.A." invites interested parties to submit within 20 days a non - binding, written declaration of interest for the purchase of the assets of "KIM - SP. DAMIGOS S.A.", which is under the status of special liquidation in accordance with the above-mentioned Law.

Founded in 1989, with its Head-Office in Thessaloniki (at the 6th Km of the Thessaloniki - Oreokastro National Road) the company was operating, until the end of 1987, when it went into bankruptcy, and, subsequently, under special liquidation, in accordance with article 7, par. 3 of Law 1388/1983. The company was involved in the production of electrical motors, transformers and electric-reducing devices, pumps, distribution panels and other electrical equipment. The company owns the following production units which have been inactive since the end of 1987:

1. An electrical motors production plant (lot, buildings, mechanical equipment and other facilities, office equipment, raw materials and products) located in the area of Paleokastro in Thessaloniki built on a total area of 6750 sq.m.
2. A transformers production plant (lot, buildings, mechanical equipment and other facilities, office equipment, raw materials and products), built across the aforementioned plant on a 50,524 sq. m. area.
3. A production plant of electric reducing devices, pumps and other electrical equipment, a foundry and an office building (lot, mechanical equipment and other facilities, office equipment, raw materials and products), located at the 6th km of the Thessaloniki - Oreokastro National Road and built on a 35,444.50 sq. m. area, and,
4. A foundry (lot, buildings, mechanical and other facilities) located at the district of Nea Santa in Kilaia and built on a 12,500 sq. m. area.

1. A three-storey building, with offices, warehouses, electric machinery repairing and maintenance facilities, located in Athens (163 Kifissou Avenue, Agios Ioannis Rentis) built on a 4 010 sq. m. area.

2. A 3,146.30 sq. m. piece of land located, at 287 Monastirioú st., Thessaloniki.
3. Pieces of land of total area of 88,537 sq. m. located at Paleokastro Thessaloniki.
4. Pieces of land of total area of 22,148 sq. m. adjacent to the plant which is located at the 6th km. of the Thessaloniki - Oreskos National Road and,
5. A piece of land of an area of 4,209.53 sq. m. located at Athens - Thessaloniki National Road on I. norden

Interested parties should submit their written, non-binding declaration of interest within 20 days from this date, to the liquidator's representative  
Mr. GEORGE GASSIOS at the following addresses:

(a) 12, Leontos Sofou st. (3rd Floor, office 306), 546 25 Thessaloniki, Greece.

(b) 12 - 14 Amalias Avenue, (Ground floor, office 1), 102 36 Athens, Greece,  
tel: 01/32.42.916, 01/32.96.330.

## Thai ruling parties agree to oust PM

By Victor Mallet in Bangkok

THE FIVE political parties in Thailand's coalition government bowed to popular and royal pressure yesterday and agreed to constitutional reforms which would force the resignation of Gen Suchinda Kraprayoon, the prime minister.

Although the amendments could take a month to pass through the legislature, delaying Gen Suchinda's resignation, the about-face by the governing parties represents a significant victory for pro-democracy activists inside and outside parliament - so much so that rumours immediately swept the capital of an imminent coup d'état by military hardliners.

"All five coalition parties have reached a unanimous decision to amend the constitution," Mr Montree Pongpanit of the Social Action Party said. Parliament is expected to address the issue on Monday.

The decision followed weeks of hesitation over the amendments, culminating in the deaths of at least 46 Thais in confrontations this week between troops and pro-democracy demonstrators.

Proposed amendments would reduce the power of the military-appointed senate and limit the premiership to elected members of parliament. Gen Suchinda, the former armed forces chief, was not elected but appointed by the five pro-military parties after they won a general election in March.

Yesterday Mr Pongpanit, the foreign minister, met foreign ambassadors and later said with tears in his eyes that Gen Suchinda should take the blame for the deaths of demonstrators. "The image of the country can only improve after we change the prime minister," he said.

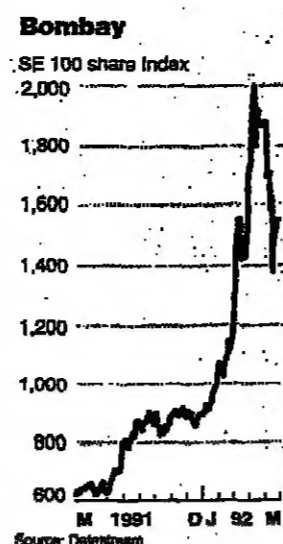
The softened stance of the ruling political parties is in marked contrast to the unrepentant attitude of senior military figures such as Air Chief Marshal Kasat Rojananil, the supreme commander, the military men now look increasingly isolated in the face of demands that those responsible for the shootings should resign or be punished.

The Confederation for Democracy, a 10-day-old umbrella organisation of activists, yesterday insisted that the prime minister, the supreme commander and the army commander resign; that those who ordered the killing be punished according to the law; that the constitutional amendments be passed within a month; that the government prevent future violence against demonstrators; and that it compensate innocent victims.

Leaders of the group threatened strikes and demonstrations if the amendments were not passed or Gen Suchinda refused to step down. "If he does not resign then the people will show their strength again all over the whole country," Dr Sant Hathirat said. "We are fighting for full democracy and we will continue to fight whether it takes one day or one month or one year."

Mr Somsak Kosaisook, one of the leaders of a state enterprise labour organisation dissolved following a coup by Gen Suchinda last year, said he had met other union officials to discuss a strike. "If the government backs down and does not follow up its promises, it is possible that both public sector and private sector workers will go on strike," he said.

According to The Nation newspaper, a group of oilfield employees of Thai Shell Exploration and Production attempted to strike in protest against Gen Suchinda this week. The company said yesterday that crude oil production had been briefly disrupted because of an unspecified "operational cause", and emphasised that it did not wish to become involved in politics.



Frantic activity on the floor of Bombay's stock exchange, where values have trebled in a year, only to fall back in recent weeks amid a welter of scandal

## Lessons of Bombay broker's fall

India's financial markets need more radical reform than is contemplated, writes David Housego

WHEN India came close last year to defaulting on its foreign debt payments, the shock to national pride precipitated the most radical change in economic policy India has seen since independence.

Mindful of the precedent, many bankers and brokers in Bombay have been saying this week that the nation's worst financial scandal, reducing stock market values by almost a third from their mid-April peak and causing heavy losses to banks, including Britain's Standard Chartered and Australia's ANZ Grindlays could also bring radical change.

"This could be a blessing in disguise," said one Indian broker. "It is far better that it has happened now rather than in three years' time," said a foreign banker reflecting on the potential damage to India's credibility if the collapse had occurred when both foreign direct investment and portfolio investment were much higher.

But such expectations of radical reform are pitched too high. The Indian financial markets, as the traumatic events of the last three weeks have shown, are a chaotic mixture of archaic procedures, increasingly large trading volumes, inadequate supervision, more aggressive broking practices and new financial instruments adapted from more sophisticated markets.

Mr Harshad Mehta, the Bombay broker now under investigation for fraudulent securities dealings, had an Olympian grasp of these markets, the players and the loopholes. He had learnt the hard way through defaulting in 1987.

His genius was to realise two years ago that the Indian market was headed strongly upwards. The corporate sector could only gain from the change from the highly regulated environment hostile to business to a more market-oriented climate. He bought stocks like Associated Cement Corporation (ACC) for Rs50 (€1) and helped propel them to a peak of Rs1,500 in April.

But his ambitions overtook him. After going bust in 1987, he relaunched himself in the government securities market where banks trade among themselves in government and public-sector debt. As the stock market took off, he financed forward trading in shares out of funds raised on the collateral of bankers' receipts - an instrument used only in India, by which a bank pledges later delivery of securities already paid for. In many cases, the securities did not exist or had not yet been purchased.

State Bank of India, the largest bank, forced Mr Mehta to repay Rs5,200 in April. Badly overstretched, he raised funds from National Housing Bank on purported bankers' receipts. A cheque for Rs300-Rs400 was mistakenly credited to his account at Grindlays.

What is now clear is that Mr Mehta was by no means alone in siphoning funds out of the government securities market into share purchases. Banks could face losses of Rs500m.

As with any financial collapse, the immediate effect has been to show up the weaknesses of the system. Both state-owned and foreign banks maintained inadequate controls over their treasury departments, which had been a major source of profit.

The Reserve Bank of India (the central bank) failed to keep an up-to-date record of transactions because entries are still made by hand in the public debt office. Bankers' receipts were transferred between banks notwithstanding regulations to the contrary - and banks failed to verify their authenticity.

In the stock market, as well, abuses abound. Large companies can invest indirectly through a limited pool of shares held by offshore funds. Dr Manmohan Singh, the finance minister, said in his February budget he would allow "reputable" foreign institutions to buy directly in the Indian market. But foreigners are likely to stay out of the market until prices still reflecting average price/earnings ratios of 35 - drop to a more realistic level. Foreigners will also want to see that the abuses and those responsible for them, have been removed.



Frantic activity on the floor of Bombay's stock exchange, where values have trebled in a year, only to fall back in recent weeks amid a welter of scandal

## Lessons of Bombay broker's fall

India's financial markets need more radical reform than is contemplated, writes David Housego

for them, have been removed. The government would like to prosecute Mr Mehta but is still uncertain if it can substantiate its case. The Central Bureau of Investigation (CBI) does not have the expertise for tackling highly complex issues in the securities market. Mr Mehta has powerful friends among industrialists, senior civil servants and politicians - many of whom have benefited from his dealings or are themselves guilty of illegalities in a society where bribery is common. Banks want their money back and know their best chance of getting it is acquiring Mr Mehta's shares. Mr Mehta strides the town like a man who expects a deal to be done.

The scandal will undoubtedly lead to tighter discipline in the market. Banks will keep a closer check on their treasuries. The Reserve Bank is to computerise its register of security transactions. Stockbrokers who before the crash closed the stock market in protest at attempts by the newly created Securities and Exchange Board of India (SEBI) to force them to register with it, have submitted this week. "They are chastened men," says Mr G.V. Ramakrishna, the board's president.

But the real lesson of the crisis - which still paralyses the money markets and frightens investors away from the stock market - is that financial markets need far more radical changes than the government is contemplating. It refused last year to privatise state-owned banks, which would have made them operate on a commercial basis.

The government is now in a dispute with the World Bank over the Bank's demand for big cuts in state directed lending through the banking system - a dispute which has led to the freezing of \$500m World Bank financial sector loan. It is nervous of pressing banks to cut their surplus labour because of union opposition. In the capital markets, it is still heavily-handedly intervening through state-owned institutions to prop up prices - to protect the small investor but also to increase the government's revenue from planned Rs300n-Rs400n sales of minority stakes in public sector enterprises.

Unluckily for the cause of radical change, the securities scandal has occurred when the prime minister is in a weak position. The momentum of economic reform has slowed as he has been forced to deal with challenges from within his party. More than ever he is seeking consensus rather than confrontation. This is an attitude bound to colour the government's handling of the scandal.

The nation's worst financial scandal, cutting share values by a third and causing heavy losses to banks, may lead to radical change

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## NEWS: UK



Field of dreams: Britain's rural landscape could be transformed - particularly in the vast swathes of agricultural land in areas such as East Anglia, Lincolnshire and Northumberland

Photograph: Ashley Ashwood

## CAP reform set to cut food prices by 2%

By Neil Buckley and Bethan Hutton

THE EFFECTS of the reform of the Common Agricultural Policy are more likely to be seen in the rural landscape of the UK than on its supermarket shelves.

The Ministry of Agriculture, Fisheries and Food said yesterday it estimated that the reform would reduce food prices by 2 per cent over the next three years, as long as savings were passed on. The 2 per cent figure refers to the food retail price index, which includes many foods such as fruit which are not affected.

Some food and farming organisations expressed doubts over whether the full effect of the cuts would be passed on to the consumer, however. Mr Martin Palmer, head of

economic services at the Meat and Livestock Commission, said that the CAP cuts would not necessarily translate into lower end-prices. "If you take those measures alone, without any other factors, yes, you should see a reduction in price. But there are lots of other factors," he said.

Mr Palmer said that farmers were already under pressure from consumers to produce increasingly high-quality meat at lower prices, while at the same time complying with concerns over animal welfare and the environment. The effect of the CAP changes might be to satisfy consumers' demands in those areas without raising prices in real terms.

Some analysts suggested that big retailers would use the opportunity to increase their profit margins. Safeway, the

supermarket chain, said it was too early to estimate price changes because EC intervention stocks would not be affected until the mid 1990s, but added: "Whenever they do become available, all CAP-related price reductions in the food we buy will be passed on to customers."

The National Farmers' Union said: "Farmers have no control over the retail price. It is very difficult, really impossible, to say how these cuts are going to be worked through - a whole chain has to be taken into consideration."

The Milk Marketing Board said that a small price cut was possible but this depended on various factors, and ultimately on what shops decide to charge.

Mr Stephen Thornhill, head of marketing and economics at the Home Grown Cereals Authority, said that the basic cereal price would drop significantly but the effect might not be noticeable to consumers. "The retail margin on pricing accounts for much more of the finished product price than the basic commodity, particularly in cereals," he said.

One food industry analyst said he thought that savings would be passed on because of consumer pressure. A more vivid illustration of the effects of the CAP may be the appearance of the countryside.

Britain's rural landscape could be transformed - particularly the vast swathes of agricultural land in areas such as East Anglia, Lincolnshire and Northumberland. Fifteen per cent of arable will stand idle as a result of the agreement on

set-aside - more than 1.5m acres, or an area bigger than Devon.

Friends of the Earth, the environment pressure group, warned that the set-aside agreement was a "blunt tool", and should have been targeted to protect the environment, with conditions on the way farms were managed imposed on set-aside compensation payments to ensure they resulted in environmental gains.

Set-aside land might be left fallow. This might provide wildlife sanctuaries, but only temporarily as much of the land would be rotated so there would be little long-term environmental benefit. Where the soil or weather is poor, the use of the land may change if farming ceases to be profitable altogether.

Another transformation of the landscape could be the growth of US-style supermarkets, as small farmers find it impossible to remain profitable and sell out to bigger farmers who can achieve economies of scale.

This could have a double-edged effect on the economy. Mr Jim Ward, head of the agricultural research department at Savills, the agricultural and residential property consultant, said the CAP agreement removed the uncertainty that had blighted the agricultural land market for the last three years.

He predicted an upturn in activity, perhaps returning to 1988 levels by next year. This could be followed by a slow increase in values. "In the longer-term I'm very bullish about land prices," Mr Ward said.

But as farmers are forced to cut costs and boost productivity, there could be other significant socio-economic consequences. The Rural Development Commission had predicted a loss of up to 100,000 jobs in agriculture over the decade if the CAP were reformed. Mr Geoff Lutterloch, head of rural economy at the RDC, stood by the figures.

"Agriculture faces a painful period of readjustment," he said. "More than 14,000 agricultural jobs were lost in the year to June 1991 anyway, and we are predicting that farming will continue to lose labour throughout the decade."

The RDC launched its the Countryside Employment Programme earlier this year with pilot programmes in Lincolnshire, the Welsh Marches and the Cotswolds, selected as areas typical of those likely to be affected by CAP reform.

In a statement to MPs, Mr Gummer was adamant that his negotiating stance had safeguarded the position of the British farmer and ensured that those in the hills and upland areas would be "more directly supported".

Mr Gummer was praised by government supporters for the substantial British contribution to the reform package agreed in Brussels on Thursday. They enthusiastically endorsed his claim that it represented "a major step forward for Europe, for Britain, for British consumers and taxpayers and for British farmers".

There were protests from Tory MPs when Mr Clark referred to a "suspicion" that Mr John Gummer, agriculture minister, had sold out small upland farmers to the "barley barons in East Anglia". Mr Clark dismissed Mr Gummer's "emphatic" over the deal and stressed: "All the evidence we get is that the consumer will not benefit".

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## Labour sees no benefit for consumers

By Ivor Owen, Parliamentary Correspondent

CONSUMERS and small farmers will not benefit from the CAP reform agreement, Mr David Clark, Labour agriculture spokesman, told the Commons yesterday.

There were protests from Tory MPs when Mr Clark referred to a "suspicion" that Mr John Gummer, agriculture minister, had sold out small upland farmers to the "barley barons in East Anglia". Mr Clark dismissed Mr Gummer's "emphatic" over the deal and stressed: "All the evidence we get is that the consumer will not benefit".

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## NEWS: UK

# ITV will ask court to bar soccer deal

By Raymond Snoddy

THE ITV ASSOCIATION said last night it planned to seek an injunction to block completion by the Premier League of a football deal with British Sky Broadcasting and the BBC worth £30m over five years.

Mr Greg Dyke, chairman of the association that represents all ITV companies, said after consulting Mr Christopher Carr QC yesterday that ITV would seek the injunction in the High Court on Tuesday.

The aim will be to prevent Premier League clubs from completing a contract without giving ITV the chance to respond to BSkyB's last-minute improved offer to a meeting of league chairman last Monday.

ITV is seeking the injunction on the grounds of breach of confidence. It alleges that the details of its final offer were disclosed to BSkyB, enabling the satellite consortium to make an improved offer to the meeting.

Pearson, owner of the Financial Times, has a stake in BSkyB, in which Mr Rupert Murdoch's News International has the biggest holding.

The final ITV offer was worth £262m including overseas rights and sponsorship over five years. Mr Dyke declined to say at a press conference yesterday whether individuals would be named in the application for an injunction.

Mr Alan Sugar, chairman of Tottenham Hotspur and of Amstrad, the consumer electronics company, said yesterday that he had called BSkyB

with details of the ITV deal. He added that "they had already been informed of ITV's final offer".

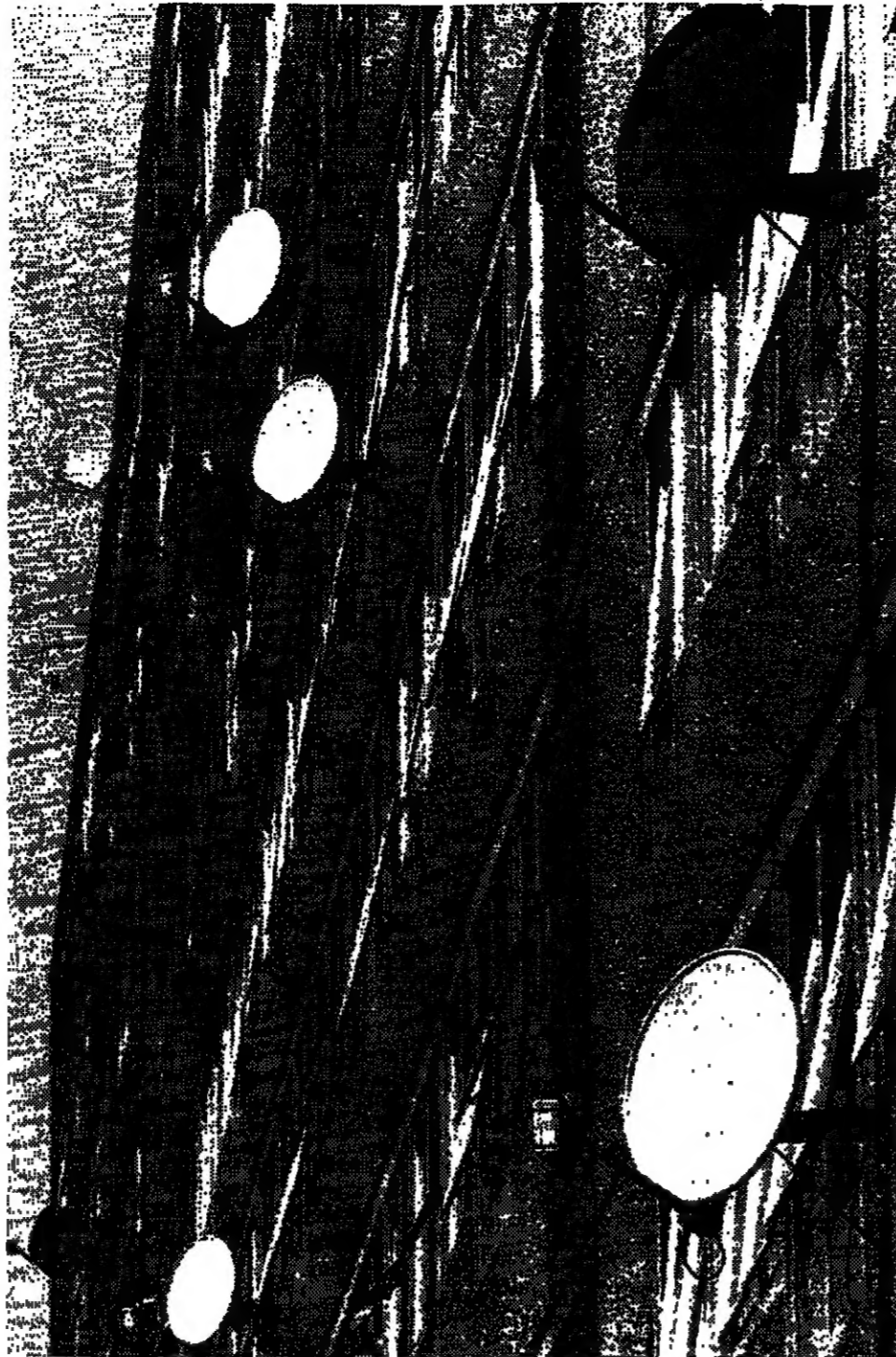
Mr Dyke said yesterday that Mr Rick Parry, chief executive of the Premier League, had been named in newspaper reports as a person who had called BSkyB. Mr Dyke called on Mr Parry to confirm or deny this.

Mr Dyke also said he had asked to meet Sir Gordon Borrie, director-general of Fair Trading, about the deal.

He said that on May 15 Mr Parry had said that Mr Murdoch, chief executive of News Corporation, had promised the full support of his five national newspapers for the league. That promise was repeated to the league chairman and may have influenced the way some voted, Mr Dyke alleged. "We would like the whole matter to be opened up to informed debate," he added.

Sir John Gorton, chairman of the Premier League and of Barclays Bank, yesterday rejected ITV complaints of unfair treatment. The league had "formally accepted" the offer from BSkyB and the BBC, and he hoped there would be no further debate.

Mr Marmaduke Hussey, BBC chairman, was asked at a press conference yesterday after an internal BBC meeting at Luton Park Hotel near Bath whether he had discussed the football deal with Mr Murdoch. Mr Hussey said that was not the sort of question he answered. When the question was put again the press conference was brought to an end.



Skywards: BSkyB plans to beam Premier League matches live to subscribers

# Government to sell off part of property agency

By Andrew Taylor, Construction Correspondent

THE government yesterday announced plans to sell off the Property Services Agency's projects division, one of Britain's biggest construction organisations.

The environment department said the division, which designs and constructs buildings for government bodies, had attracted interest from 60 companies including some international groups. The sale terms will be advertised next week in the UK and on the Continent in the Financial Times.

Several large quoted British construction and engineering groups have previously expressed an interest in buying all or part of the division, which has 2,000 employees. They are thought to include

Tarmac, Trafalgar House, Taylor Woodrow and BICC.

The sale comes when the UK construction industry is at a low ebb and many companies in the sector are strapped for cash. The agency builds offices, courts, prisons, laboratories, civil and military airports and other installations. Last year it generated a turnover of £180m.

Most government construction contracts for the past two years have been subject to competitive tender. The agency with its experience of public-sector building requirements and its strong links to government departments, has remained in a strong position and has continued to win a large share of the work.

Companies buying the business will be expected to give commercial guarantees for work completed or being undertaken by the PSA. This

could restrict what bidders are willing to pay. The winner may also have to fund substantial redundancy payments as it merges the division with its own contracting businesses. One large publicly quoted British contractor said yesterday that it regarded the risks as too great and it would not bid.

Mr John Redwood, environment minister, said: "While I would prefer to sell the projects division as a single entity, it is open to prospective purchasers to indicate their interest in part purchases."

He called for preliminary bids by June 26 and final offers about four weeks later. The environment department has appointed Coopers & Lybrand Deloitte, the accountancy firm, to advise on the sale. It said a potential buyer's business plan and its proposed treatment of staff would be considered.

# Names fail to win freeze on deposits

By Richard Lapper

NAMES failed yesterday in a new bid to obtain injunctions preventing Lloyd's from drawing down on their deposits to meet insurance losses.

At the same hearing in the High Court, Lloyd's was granted its application to contest an earlier decision allowing the Names to apply for a judicial review of Lloyd's.

Six Names connected with the Gooda Walker Action Group were seeking the review and had appealed for the injunctions pending its result.

This is the second time within six weeks that Names have failed to win injunctions preventing Lloyd's from draw-

ing on the deposits that all Names must lodge. Last month an application by more than 800 Names was rejected. A third group of Names in the Distressed Names LMX Spiral Action Group is persisting as part of a broader action.

In the US on Thursday Mr Ronald Riley won a temporary injunction in Denver, Colorado, pending an appeal against a ruling in favour of Lloyd's.

Mr Peter Nutting has resigned as chairman of the Lloyd's Names Associations' Working Party, which groups together representatives of action groups, after a dispute with advocates of more militant action.

# Fears rise of new Outhwaite cash calls

NAMES on the troubled Outhwaite syndicate 317/661 at the Lloyd's insurance market may need to pay new cash calls to meet higher-than-expected losses on the 1982 year, Richard Lapper writes.

In February, nearly two thirds of the syndicate's 1,814 Names won a £116m out-of-court settlement compensating them for losses. The deal included a £34m provision to compensate for claims still arising from the syndicate's US liability reinsurance business. There are now fears that this amount could be inadequate.

It is understood that claims of about £25m were notified last week, bringing the syndicate's total losses for 1982 to about £234m.

In a separate development, the Outhwaite agency has announced the final settlement of disputes with its leading insurers over the 32 reinsurance contracts that originally gave rise to the 1983 losses.

# MP seeks end to payment delays

GOVERNMENT action to deter large companies from delaying payments to subcontractors was demanded in the Commons yesterday by Sir Peter Hordern, Conservative MP for Horsham.

He also urged the government to drop its opposition to legislation allowing companies to claim interest on debts outstanding after a specified period.

Mr Edward Leigh, a junior trade and industry minister, said some small companies feared such legislation could encourage larger companies to impose longer payment terms.

# BA Cargo plans £112m investment

BRITISH Airways Cargo is to invest £112m in upgrading its operations - £106m on expanding and automating its hub warehouse at London's Heathrow airport and £7m on developing a computerised revenue accounting system.

The company's revenues were £412m in 1991-92, a rise of 562m on the previous year.

# DTI claim disputed

SINGER and Friedlander Group - financial advisers to James Ferguson Holdings when the company bought Barlow Clowes companies in 1987 - is to dispute a claim for £40m by the Department of Trade and Industry. The DTI is liquidator for James Ferguson and Barlow Clowes investors.

# Body Shop writ

BODY Shop International has issued a writ against Channel 4 and Fulcrum Productions over a Dispatches television programme.

# Legal clash may harm Channel 5 prospects

By John Mason

PROSPECTS of a merger between Five TV and The Entertainment Channel, both bidders for the Channel 5 franchise, appeared to be damaged yesterday after Five TV signalled it might continue its legal battle against TV-am.

Five TV yesterday lost its High Court action to gain an injunction preventing TV-am from investing in The Entertainment Channel, but later indicated that it could take the issue to a full hearing.

No hearing could be held before the July 7 deadline for franchise bids, but the clash could reduce the chances of the consortia joining forces. Several leading shareholders in both consortia believe high start-up costs mean that the Channel 5 franchise will be viable only if the bid is uncontested and the minimum £1,000-a-year bid made.

The vice-chancellor, Sir Donald Nicholls, said an exclusivity and confidentiality clause signed by TV-am when it was shown Five TV's business plan should not prevent it from investing in any rival Channel 5 bidder.

Output down 0.4% in first quarter ■ order books now at best level since August 1990 ■ strength of recovery 'by no means assured'

# Recession persists for seven quarters

By Emma Tucker, Economics Staff

A FURTHER fall in UK output during the first three months of this year has dragged the longest post-war recession into its seventh successive quarter.

The fall in output for the whole economy, excluding oil and gas extraction, was 0.4 per cent compared with the previous quarter. This brought the annual rate of decline to minus 1.8 per cent.

Overall gross domestic product fell 0.6 per cent in the first quarter and 1.5 per cent compared with the corresponding period last year.

The figures from the Central Statistical Office show that this recession has been longer but not as steep as the recession of 1979-81.

Non-oil GDP has fallen 4.3 per cent over seven quarters from a peak in the second quarter of 1990. This is only two thirds as deep as the 1979-81 recession, when non-oil output dropped 8.2 per cent.

Overall GDP has fallen 4.2 per cent against the 5.5 per cent decline of 1979-81.

The decline in manufacturing output has been only half as severe this time round.

Since the second quarter of 1990 manufacturing output has fallen 7.7 per cent. This compares with a 16.4 per cent fall in output from the second quarter of 1979 to the first quarter of 1981.

So far, output of the services industry has fallen by 2.4 per cent, the same drop as in 1979-81. In the first quarter of this year the services industries' output was 0.3 per cent lower than in the previous quarter.

Manufacturing output, however, grew by 0.3 per cent, the first quarterly rise since the recession began.

Oil and gas extraction output fell 4.3 per cent on the previous quarter because of maintenance works, while the mild winter was responsible for a 4.2 per cent drop in other energy and water supply.

Manufacturers, wholesalers and retailers in the UK reduced their stocks in the first quarter of this year by £173m after a fall of £1.4bn in the fourth quarter of last year, according to provisional figures from the CBO.

Within this, retailers increased their stocks by £225m following a decrease of £148m in the fourth quarter.

# Economy 'on the turn' says CBI

By Peter Norman, Economics Correspondent

THE UK economy is "on the turn", the Confederation of British Industry said yesterday. Although official figures showed the recession continuing into the first quarter, the CBI's monthly industrial trends survey for this month and its latest economic forecast pointed to better times.

The CBI found that many manufacturers had experienced a marked improvement in home and export orders in recent weeks, raising expectations of higher output over the next four months.

However, the CBI's own economists expect only modest economic expansion of 0.8 per cent this year after last year's 2.4 per cent decline in output. The CBI forecasters, who have revised down their expectations of 1992 growth from 1.7 per cent last November, expect the economy to gather momentum over the year and grow by 2.9 per cent next year.

The CBI found in this month's survey that total order books, although still well below normal, were at their best levels since August 1990, when Iraq invaded Kuwait. It found that export order books were at levels last seen in October 1990.

Over the next four months, 31 per cent of companies expect to increase their output volume and only 18 per cent predict a decline. The balance, which indicates the trend, was plus 13 per cent this month. It was the highest figure since July 1989 and compared with plus 5 per cent in April this year and a negative balance of 18 per cent in May last year.

The CBI surveyed 1,277 companies in 50 industries between April 28 and May 13. The companies are responsible for about half of British manufacturing employment and exports.

It found that stocks were run down in May, with a balance of only 13 per cent of companies - the lowest balance since September 1990 - saying stocks were more than ade-

quate to meet expected demand.

Mr Sudhir Junakar and Professor Douglas McWilliams, CBI economists, believe that an end to destocking should play a leading part in bringing about an economic upturn this year. They expect that a £3bn turnaround in the stock cycle will contribute some 0.7 percentage points of the 1.6 per cent increase in domestic demand now expected for this year.

Other factors stimulating growth, they say, will be rises

# SUMMARY OF THE CBI FORECASTS

	1991*	1992	1993
Total GDP (output measure)	-2.4	0.9	2.9
Manufacturing	-5.2	0.3	3.4
Consumers' expenditure	-1.7	1.1	2.8
Fixed investment	-10.3	-1.0	4.7
General government	-2.4	1.3	4.3
Manufacturing**	-15.8	-2.8	4.5
Private dwellings	-3.9	-1.4	4.1
Other (mainly private services)	-11.8	-3.3	5.0
General government consumption	2.4	1.9	1.5
Exports (goods and services)	0.7	4.0	5.0
Imports (goods and services)	-2.9	5.4	5.8
Current account (£2bn)***	-4.4	-9.3	-9.7
Stockbuilding	-2.9	0.1	1.0
Inflation			
(Retail prices index)	4.2	3.8	3.3
(Manufacturers' output prices)	5.0	2.7	2.5
Unemployment (millions)††	2.5	2.5	2.9
Company profits†††	-5.8	7.5	12.5
PSBR***	1991/92	1992/93	1993/94
	13.9	31.4	33.9

\* CBO figures \*\*including leased assets \*\*\*At current prices †Quarterly low 1991 excluding school-leavers seasonally adjusted, annual average ††GDP pre-trading profits of industrial and commercial companies, net of stock appreciation and including North Sea Oil, and adjusted for inflation as measured by the GDP deflator

THE NUMBER of company liquidations fell slightly during the first quarter, supporting hopes that the recession may have bottomed out, Paul Taylor writes.

Compulsory and voluntary liquidations totalled 6,035 in the first three months of the year compared with 6,017 in the previous quarter, according to KPMG Peat Marwick, the accountancy firm. That compares with a 30.7 per cent rise between the third and fourth quarters last year, though company liquidations in the early months of this year were still 10.2 per cent higher than in the first quarter of last year.

Mr Tim Hayward, head of corporate recovery at KPMG, said: "There are signs that the economy may be starting to come off the bottom, although we shall need to wait and see whether the recovery can be sustained."

The number of individual bankruptcies in the first quarter was 8,389, a 20.5 per cent increase on the previous quarter and a 75.5 per cent increase on the same quarter last year. Mr Hayward said debtors petitioning for their own bankruptcy may have caused the rise. Changes in procedure had made petitioning less painful.

in exports and in consumer spending, and higher spending by the government. They add that improved domestic and foreign demand will help manufacturers. The CBI expects manufacturing output to start rising on a year-on-year basis around the middle of this year and to expand at an annual 3.4 per cent rate in the fourth quarter of this year and in 1993.

The number of jobs in manufacturing industry is expected to fall by nearly 220,000 between the end of March this

year and the end of next year. The CBI expects seasonally adjusted unemployment excluding school leavers to increase to 2.9m next year from 2.8m this year with the unemployment rate rising to 10.3 per cent from 9.7 per cent.

The CBI warns that the path of the recovery could be bumpy. Growth is likely to be pick up in the current quarter following the general election. But it could slow a little in the third quarter before rising to around the UK's underlying trend rate of 2.5 per cent in the fourth quarter and in 1993.

CBI economists also warn that the strength of the recovery is "by no means assured". The state of the housing market - with activity low and prices falling - could weaken confidence.

The US recovery is uneven while the present low value of the dollar makes exporting to the US and some other countries difficult for UK companies. Inflationary pressures in Germany may force the Bundesbank to raise interest rates and so restrict growth in Europe, thereby hurting UK exports.

However, the CBI expects UK bank base rates to fall to 9.5 per cent by the end of this year and 8 per cent by the end of next year as German monetary conditions ease.

It also predicts a recovery in UK non-oil company profits of 7.5 per cent in real terms this year and 12.5 per cent next year. It says such an improvement would reflect lower unit labour costs, improved profit margins, better cost control and lower inflation.

The CBI nevertheless expects manufacturing industry to cut investment until the fourth quarter of this year. Next year, however, it expects a rise of 4.5 per cent in manufacturing investment and an increase of 4.7 per cent in total capital spending.

CBI Economic Situation Report, May 1992. Subscription details from Economic Trends Dept, Centre Point, New Oxford Street, London WC1A 1DU.

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CBI Economic Situation Report, May 1992. Subscription details from Economic Trends Dept, Centre Point, New Oxford Street, London WC1A 1DU.

# NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on June 5th, 1992, at the registered office of the Company, 6 John B. Gonslaweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

## AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Report by the Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1991.
- Discharge and subsequent re-election of the Board of Supervisory Directors.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1991.
- Further appropriation of the Net Result of the period November 30, 1990 thru November 30, 1991.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1991 and as presented in the report by the accounting firm of Deloitte & Touche dated May 1, 1992.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvonnante Corporation N.V., authorizing Yvonnante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonnante Corporation N.V., 6 John B. Gonslaweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvonnante Corporation N.V. as to the voting of their shares by writing to Yvonnante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.  
by: Pearson Trust (Curaçao) N.V.  
Managing Director

By Ivo Dawnya, Political Correspondent

MR JOHN SMITH will begin to take his Labour leadership bid around the country next week as almost all observers now concede that, barring unforeseen mishaps, he is assured of victory in July over Mr Bryan Gould.

Mr Robin Cook, his campaign manager, yesterday ducked the charge of premature triumphalism as he released details of regional visits and speaking engagements. Yet when questioned on the state of the campaign, Mr Cook expressed easy confidence that his can-

didate would win comfortably in all three sections of the electoral college. He said that Mr Smith could expect at least 88 per cent of the trade-union vote, which represents 40 per cent of the college. He could also expect up to 180 of the 289 parliamentary votes - 30 per cent of the college - and soundings in the constituencies suggested that support was "very healthy".

In Mr Gould's camp, there are clear indications that attention is firmly focused on the much closer deputy leadership race, which Mr Gould is also contesting.

Suggestions that Mr John Prescott,

shadow transport secretary, is making ground among the unions are provoking highly varied interpretations of voters' intentions.

While supporters of the favourite in the deputy race, Mrs Margaret Beckett, insist all scenarios in an exhaustive ballot favour her chances, others claim resistance is mounting among unions and constituencies to the so-called "dream ticket" of Smith and Beckett.

A Gould supporter said if Mr Gould was knocked out in the first round, Mr Prescott would defeat Mrs Beckett in the run-off. However, if Mr Gould came first or second in the first round his

appeal as an imaginative, southern England MP would ensure victory over either of his rivals in the run-off.

Mr Prescott's team said Mr Gould's candidature for the leadership would undermine his ability to gather sufficient votes for deputy as few would wish to vote for him for both posts.

● A Debate over Labour's controversial Clause Four - which commits the party to a policy of nationalisation - would be a distraction that would divert the party from addressing the causes of its election defeat, Mr David Bunkett, Mr Gould's campaign manager, said.

**sell off  
y agency**

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## Fears rise of new Outhwaite cash calls

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### NTP seeks end to payment delay

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**BY Cargo plans  
€112m investment**

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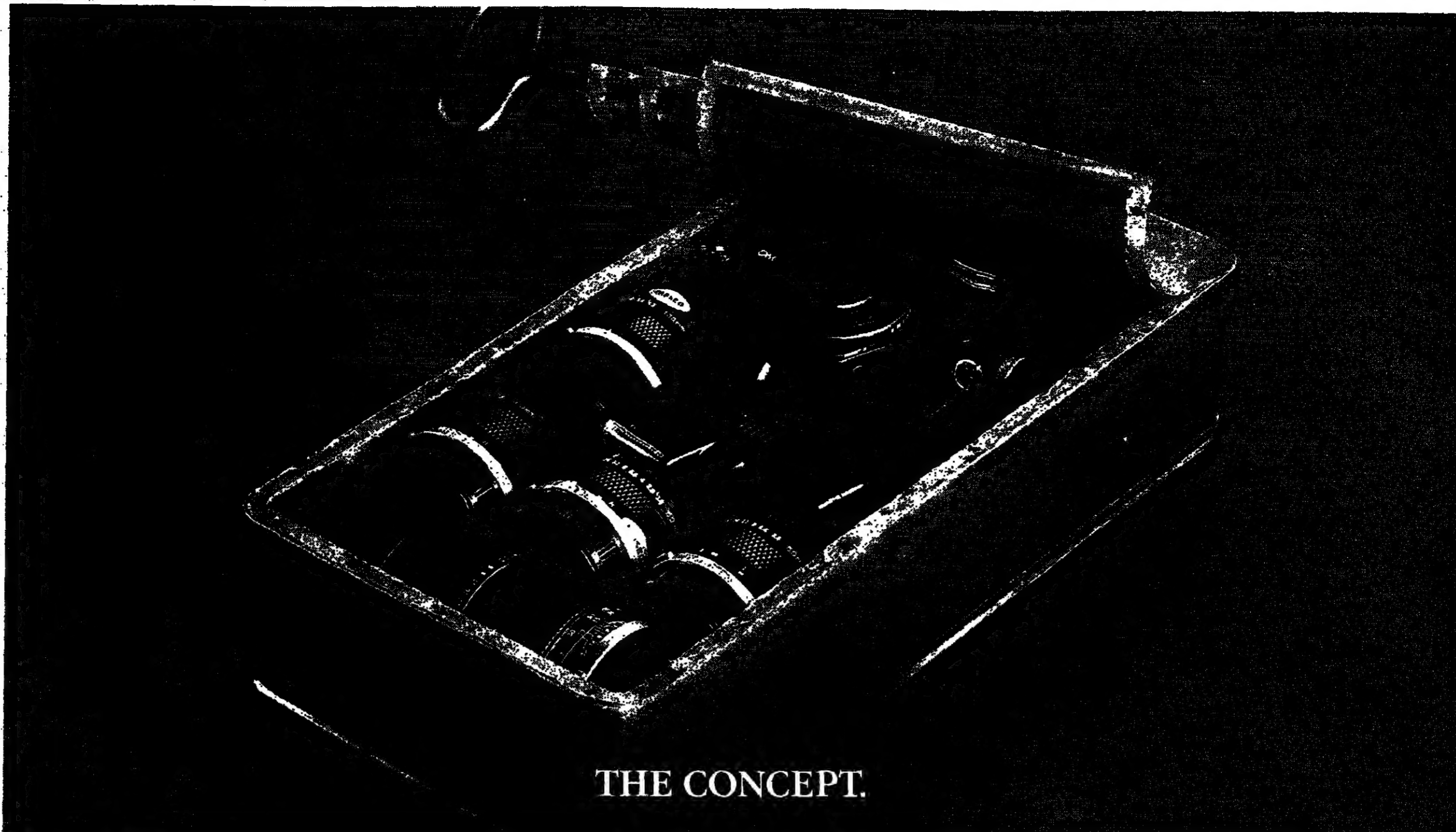
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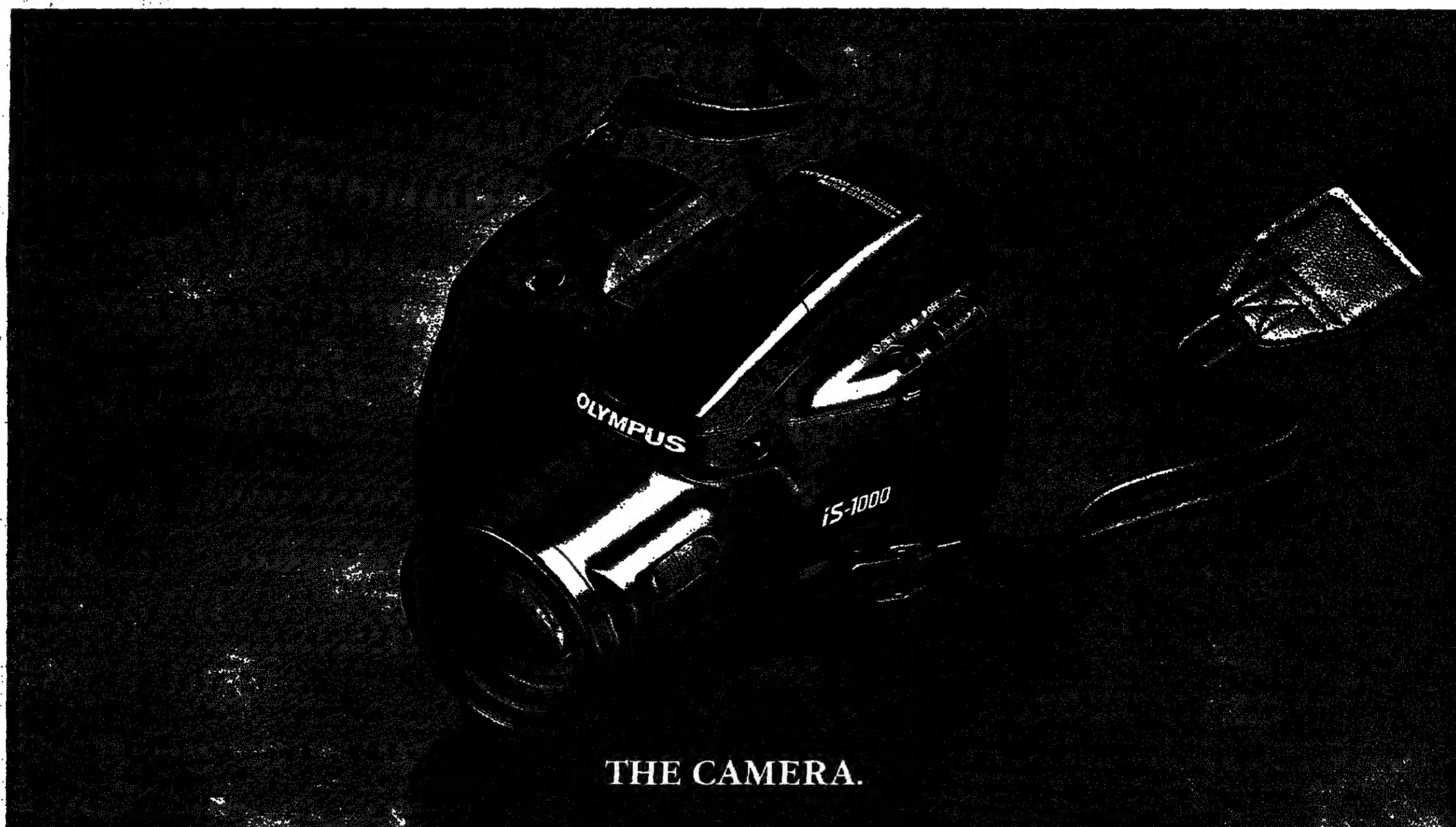
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## THE CONCEPT.



## THE CAMERA.

Remember when large numbers of people used to squeeze into the Guinness Book of Records by shoehorning themselves into Minis and telephone boxes?

Well, Olympus have performed a very similar, though rather more useful, feat with their latest camera. The Olympus IS-1000.

It's an auto focus SLR with practically every accessory you can think of, thoughtfully built-in.

There's a power zoom lens that opens out from 35mm to 135mm plus a macro telephoto and wide angle. So you can cover virtually any set-up imaginable, without ever reaching for the gadget bag.

What's more, Olympus have ingeniously found a way to use E.D. glass in the zoom. (E.D. or Extraordinary Dispersion glass, gives the kind of sharpness you can cut with, but until now, it's only been used in highly specialised, highly priced individual lenses.)

So the IS-1000 is the only camera in the world with a built-in lens, that equals and sometimes even outshines the best specialist lenses you can buy.

And here's another flash of genius. Olympus have given it not one, but two resident flash guns. With a choice of auto flash, anti-red eye flash, fill-in flash and slow sync flash. (Though, if that's not enough, there's a hot shoe, so you can always add more.)

It has its own motor drive, of course. And while like any true SLR, you have total control whenever you want, there's also automatic everything, courtesy of the microchip.

It's even the first stills camera with fuzzy logic ESP metering. (No, we're not talking about extra sensory perception, it's a computerised metering system that sets apertures and shutter speeds with uncanny accuracy, even in tricky light.)

The list of on-board equipment is as long as your

arm. Altogether, Olympus have built nearly £1,000 worth of accessories into a camera that sells for around £350.

Yet it weighs just 31 ounces, prompting Practical Photography to say "Olympus have done supremely well to cram so much into such a lightweight and compact camera."

Photographers like Bailey and Lichfield, have called it the most impressive camera since the Olympus OM1.

But you don't need to be a professional to appreciate the IS-1000.

Whatever your level of experience, you'll get a lot out of it. After all, Olympus couldn't have put any more into it.

Olympus IS-1000 Dept. Olympus Optical Co. (UK) Ltd.,  
2-8 Honduras Street, London EC1Y 0TX. Telephone 071-490 7373.

Name \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_ **OLYMPUS IS-1000**

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday May 23 1992

## Death report exaggerated

REPORTS OF the death of the German economic consensus turn out to have been exaggerated. Pro-nouncements that the anchor role of the D-Mark can be shared with, or even assumed by, other European currencies are probably equally premature.

The wage deal agreed this week in the German engineering industry - 5.5 per cent this year, followed by 3.4 per cent in 1993, along with an hour's cut in the working week - shows first, that the German consensus approach to economic policy-making is still working; second, that tough monetary policy is bringing inflationary pressures back under control; but, finally, that the road back to traditional German monetary performance will be long and hard.

The consensus may have worked, but at a high price. Monetary growth ran at an annualised rate of 8.8 per cent between the fourth quarter of 1991 and April 1992 (well above the Bundesbank's target range of 3½ to 5½ per cent), many question the government's ability to restore control over public finances and the German economy remains robust. All this suggests a much looser monetary policy remains a distant dream.

The difficulties into which unification has dragged Germany have led others to claim that they can share in the role of providing the monetary anchor for Europe. Mr Jacques de Larosière, governor of the Bank of France, said only this week that the French franc is just as important as the D-Mark within the European Monetary System. He is being somewhat hasty. The anchor role has been won by the Bundesbank through competition in the market place. The only way to convince the markets that one's currency is as good as the D-Mark is to show that one's central bank is at least as good as the Bundesbank.

## Price stability

Even the Bank of France has some distance to go. Inflation of around 3 per cent looks excellent. But since it has been achieved during a period of below trend economic growth and rising unemployment, it falls well short of long-term price stability. Even with 3 per cent inflation, a currency loses 95 per cent of its value over a century. This is not price

stability on any reasonable definition.

The difficulties into which unification has dragged Germany have imposed a monetary policy that, however painful, is appropriate, not merely for countries like Italy, Spain and the UK, but for France as well. True, it is appropriate only if price stability is the overriding goal. That can be disputed. But it cannot be disputed by those who hope to displace a central bank which is certain that the price is not too high. Nor can it be disputed by those who intend to ratify the Maastricht treaty. For that treaty commits the EC to establishing an independent central bank "whose primary aim shall be to maintain price stability".

## Slow growth

It would be possible to postpone that achievement, perhaps until the new central bank has been established. But it is precisely during a period of slow growth that the EC has the best chance of attaining its goal. More important, it is only by the performance of others that the Germans will be persuaded to take the risk of economic and monetary union. Doubts about the desirability of price stability are, in any case, somewhat beside the point. German unification is forcing it on Europe, willy nilly. The chancellor of the exchequer, for example, suggested this week that 2 per cent inflation should be the target for the UK. The UK is far from any such figure at the moment. The high interest rates imposed by Germany give the UK its best chance of achieving it.

The price is unquestionably high. The UK's gross domestic product fell by another 0.6 per cent between the last quarter of 1991 and the first of 1992. Over seven successive quarters of decline, GDP has fallen by 4.2 per cent. Yet underlying inflation in the economy as a whole is still around 5½ per cent.

Opinion can reasonably differ, over whether this price is worth paying. But only those who convince the markets they believe it is can hope to enjoy interest rates below German levels for a sustained period. Equally, only those who share this faith have any business ratifying the treaty agreed at Maastricht.

## Lloyds referred

MR MICHAEL Heseltine has taken the right decision in referring the Lloyds Bank bid for Midland to the Monopolies Commission. Unlike the bid from Hongkong Bank, the Lloyds offer raises competition issues which need to be scrutinised. And since the Hong-

kong bid has already been cleared in Brussels, there are no awkward conflicts between rival competition authorities. The odds are tilting in Hongkong's favour, but not overwhelmingly so. Lloyds should keep its hat in the ring.

Amid the bright lights and the bustle of the Ginza in central Tokyo, there is a small gallery of Sony consumer products of the past intended to inspire confidence that Sony will be a company of the future. There is a quaint 1956 transistor radio and a sleek short-wave set from the 1970s; and an early if ungainly example of multi-media, a 1980 pocket radio with an old-style Seiko watch wedged in at the top.

In spite of the mixed success on display at Sony, the spectacular growth of Japanese electronics companies over the past decade has given them a sense of certainty that the 2004 US presidential election campaign will be followed by a Chinese farmer using Japanese television technology, and that the world will listen to the next wave of popular music on portable, compatible, indefatigable Japanese equipment.

It is this sense of certainty, and the profits from having mastered mass manufacturing techniques, that has fuelled the product development departments of Japan's large consumer electronics groups and spurred their drive into next-generation television technology a decade before their competitors had committed themselves to high definition television (HDTV).

But now this sense of confidence is under assault. For the past few years, the consumer electronics industry as a whole has suffered from a dearth of new product ideas, and the Japanese companies have in general simply been adding knobs and apertures to existing equipment. Sales of televisions and video-cassette recorders in Japan have been falling since the final quarter of 1988, well before the economy began slowing.

Financially, the companies are facing higher capital costs at home, and the two market leaders, Sony and Matsushita Electric Industrial, reported steep falls in profit this week. Sony reported a 44 per cent drop in pre-tax profits to ¥168bn. Matsushita, its main rival, saw profits fall 89 per cent to ¥363bn. More important than the financial difficulties, the companies' confidence in their ability to judge consumer trends has also been seriously shaken.

The future of HDTV remains unclear. Japanese television makers had started to market the machines even though programmes could only be received for a few hours a day. They have also been adversely affected by the decision of the European and US electronics industries to adopt different standards. For Sony, this has not been the only recent setback. The company, renowned for its nifty product ideas and marketing skills, has suffered the defeat of Betamax, its VCR format, in the face of a competing format, the VHS system, and more recently its Digital Audio Tape flopped for lack of music business support throughout the world.

Such experiences have tarnished Sony's previously high reputation for predicting and even creating new consumer demands. The company is looking dangerously vulnerable to a further marketing reversal. The group has promised to deliver its next international "hit" later this year - a small, portable mini CD player which it hopes will be to the CD player what the Walkman was to the cassette tape recorder. But the Mini Disc has so far failed to capture the imagination of consumers, partly because it has been preceded by Philips's competing system of digital cassette tape recorders and partly because listeners who tossed out their old tapes

## Electronic links across the Pacific

Robert Thomson and Michio Nakamoto  
on the prospects for co-operation in developing consumer products

for CDs are unwilling to change again.

Like much of the Japanese industry, Sony is pinning its hopes on the embryonic multi-media technology, which combines video, photography, data, animation and sound.

A CD player doesn't have to be just for music. A CD itself can store vast amounts of information - the last 10 issues of GQ, together with Moby Dick and other novels in their entirety, films and video games. A multi-media book could play all these different discs with all the information accessible at the touch of a key.

Experimenting with multi-media has kept a growing number of American computer manufacturers busy. While Japanese companies have poured money into ultimately futile attempts to convince consumers that they want extra knobs on their VCRs.

Apple, the computer group, has been working on what it calls a personal digital assistant that will act like a personal computer, mobile phone and fax combined. Microsoft, the computer software group headed by Bill Gates, has sponsored several multi-media conferences over the years and is trying to establish itself as the software supplier for multi-media products. Many small West Coast companies

are experimenting with multi-media technology and churning out software that will drive the technology. The realisation that software will be the driving force behind the next generation of consumer products has led to moves by consumer electronics manufacturers into the world of American entertainment.

Matsushita has bought MCA, the entertainment group, while Sony has bought Columbia Pictures. Philips, the Dutch group, has set up a multi-media software company in the US and has bought Whittle, a producer of educational programmes.

These movie studio and recording label purchases have created extra uncertainty for the two main Japanese electronics companies, which are beginning to realise just how unpredictable the entertainment industry can be. The end-year results this week released by Sony, a company accustomed to steady if rapid growth, showed a 65.2 per cent fourth-quarter increase in revenue from films and a 15.8 per cent fall in music sales.

But while Japanese manufacturers may not be able to define the immediate benefits of their entertainment purchases, they are increasingly confident that the software that runs computers offers just the extra bit of added value to consumer products needed to stimu-

late a sluggish market.

And for that software as well, they need to go to the US. The trend is evident in the tie-up of Sony, Apple Computer and Motorola to develop multi-media products expected to find their way into the living-room later this decade. In part, these partnerships are about matching different technological skills, for example, Sony's expertise in audio visual products, Apple's software and communications expertise, but they are also an attempt to pool resources in the search for a space in people's lifestyles that can be filled with electronic goods.

The belief that every pocket should have a personal digital assistant has prompted alliances between AT&T and Matsushita, NCR and Poet, a subsidiary of Fujitsu, and Apple Computer and Sharp, which is now the leading producer of electronic personal organisers that can store and retrieve information.

There are useful business applications for these products, for example, for pizza delivery companies and salesmen - but the manufacturers are particularly keen to succeed in the consumer market. They have yet to convince the average family that it really needs the present generation of pocket organisers.

Sales of some products have, however, been somewhat disappointing in Japan, where Sony was confident that its pen-based palmtop system would be a hit after its release in 1990. The market is still flat, even though the pen better suits the Japanese language, for which a keyboard is awkward.

The partnerships also raise the possibility that makers in different countries will be able to agree on common specifications for their systems. It would be frustrating if you were able to use a personal organiser to call up the UK soccer results or the latest movements in the Nikkei stock market index while on a business trip to Bahrain, but you found that the local retrieval network was incompatible with your equipment.

It is still too early to predict whether the US or Japan will take the lead in the partnerships, and in which areas the industry will develop. The tie-ups may herald a comeback for the US in the world of consumer electronics as Japanese groups becoming increasingly aware that they need to co-operate with international rivals especially in the software arena.

Making the leap from the world of computers to the world of consumer entertainment will not be an easy one for American electronics groups either. They recognise the value of the manufacturing and mass-marketing skills of the Japanese consumer product manufacturers and the difficulty of entering a market in which they have little experience. Apple probably needs Sony just as much as Sony needs Apple.

The real question for the international electronics industry may be not whether the Americans or Japanese or Europeans dominate the next-generation markets, but whether consumers want the electronics-based lifestyle that the industry would like them to have.

One reason that urban Japanese tend not to carry electronic gadgets around with them is that there is a strong sense that life is high-tech enough at the moment. And it is not only Japanese consumers who decided that they preferred a watch on their wrist and not in their radio.

## Not a level playing field

Jane Fuller looks at the Premier League's potential impact on UK football

When Blackburn Rovers play Leicester City at Wembley on Monday, there will be rather more at stake than winning the second division play-offs for a place in the new Premier League.

The most glittering prize will be the £15m cash that a typical Premier League club can expect in the first season of a £304m five-year television deal with British Sky Broadcasting and the BBC. The figure contrasts with the £68,000 each second division club received this season from ITV.

The most enthusiastic advocates of the BSkyB deal are chairmen of the less glamorous Premier League clubs. At Wimbledon, which set records for the lowest gates in the former first division, its chairman Sam Hamman says: "It's the difference between life and death." The club has lost nearly £1.8m in the past year, a gap bridged as usual by selling star players.

He speaks with glee of an equally important gap being closed between big and small clubs in the Premier League. Wimbledon, with an average gate of less than 7,000 collects only £700,000 a year through the turnstiles. Last year Manchester United, with an average attendance of 43,000, derived more than £9m from this source.

For Wimbledon, the most crucial gain is the tele-gate. The armchair fan will at last share the burden of financing football, first through satellite subscription and in later seasons through the proposed pay-per-view system.

Alan Sugar, chairman of Tottenham Hotspur - and of Amstrad, which distributes satellite dishes - conjures up a vision of 1m dish owners paying £2 per game to deliver £120m a season, split between BSkyB and the league. His scenario assumes that 15 per cent of 7m dish owners would participate. At present, little more than 2m



dishes are installed.

Unless more than seven people cluster around a set, the audience is bound to be much smaller than the 7m who regularly watched ITV's The Match on a Sunday. And some commentators have said the restriction would be bad for the game.

Those complaining about the narrow access to live football can expect robust replies from most Premier League clubs. Ron Noades, chairman of Crystal Palace, with which Wimbledon shares a stadium, says: "The government is asking us to rebuild grounds. The supporters are refusing to pay for it. Why should we provide soccer free for millions of screen spectators who are making no contribution to meeting the Taylor Report?"

It is estimated that meeting the report's requirement for all-seater stadiums - a response to the Hillsborough tragedy - will cost the 22 Premier League clubs £163m. Only a quarter of this is expected to come from the government.

Many clubs are not in good shape to meet this commitment. According to Simon Pitt, joint managing director of a new sports consultancy called Centre Forward, "English Football's total indebtedness is probably as much as £150m."

Against this background it might seem odd that six clubs - Manchester United, Arsenal, Liverpool, Everton, Leeds and Aston Villa - voted against the BSkyB deal. They are the strongest financially and their games have dominated the coverage by ITV. Indeed David Dein, vice-chairman of Arsenal, is seen as something of an ITV champion.

The argument put forward by the big clubs for preferring ITV was that although BSkyB was offering about £10m a year more than ITV, this was for 60 games compared with 30. (This season 21 matches were shown.)

There is concern not only about saturating the audience, but also about the innovation of live games on a Monday night, regarded as

being less popular with fans than a weekend fixture. However, even for a club that did well out of the ITV deal, the new arrangement represents a big increase in income. Manchester United received about £700,000 from ITV this season. Under the new deal, which includes prize money related to league position, United would have earned the best part of £2m.

Beyond this week's auction of TV and advertising rights, there remain nagging doubts about the destination of all this money.

If the Premier League ultimately becomes smaller and more oriented towards European competition, English clubs would be drawn even further into the scramble for the best players, which boils down to wages and transfer fees. These already seem high. Established Premier League players earn up to £3,000 a week. John Barnes, the Liverpool forward reputed to be on £500,000 a year, is just one England international being lured abroad. As for transfers, the record £2.9m paid by Liverpool for Dean Saunders pales beside the £8m that recently took Jean-Pierre Papin from Marseille to AC Milan.

While the gap has narrowed between big and small in the Premier League, a gulf is opening up between the league and the other three divisions. Luton Town, relegated after numerous escapes, was persuaded at the last minute to attend Monday's meeting of Premier League chairmen, to ensure that the little clubs had the two-thirds majority they needed in the vote for BSkyB. Along with West Ham and Notts County, Luton will receive £750,000 compensation for missing out on the serious money.

The talks now going on between the Football League and potential broadcasters of games from the new Divisions I to III are unlikely to yield anything like that farewell payment from the big league.

MORSE

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David Richardson, FT agricultural columnist, outlines the impact of Europe's farm reform package

# A harvest of sorrows

For some of the UK's larger farmers, Thursday's agreement on the reform of the Common Agricultural Policy will seem like a stay of execution. With luck, and assuming the details of the agreement, when they are released next week, live up to the claims of EC agriculture ministers, the most efficient and least heavily burdened will survive for a few more years. But the Brussels deal is not a reprieve; rather, farmers are still under sentence on Death Row.

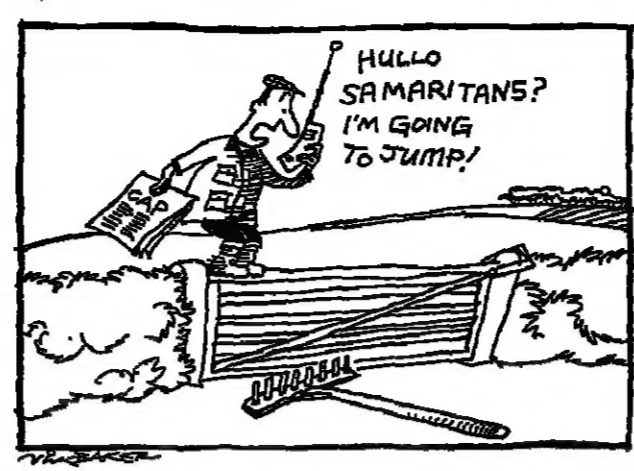
The first MacSharry plan 18 months ago prepared them for extinction. It threatened to force them to take large chunks of land out of production without offering compensation for the resulting losses. Only smallholders in the UK and peasant farmers in other parts of the Community would have been anything like as well off as they are now - and that is not well off at all.

It looked like a misguided exercise designed to destroy the potential to produce cheap, wholesome food; to preserve the drugstore of running small farms which non-participants perceive as the rustic charm of the countryside; and to discriminate against the UK because of its superior farm structure and larger average size. It also seemed ready to institutionalise inefficiency.

The British farming industry has already suffered severe cuts in income over the past

few years and is not in good shape to tolerate further pressure. As Mr John Nix, the agricultural economist, says in the introduction to the last edition of his farm management pocket-book - the bible by which many farmers plan their businesses - "farm incomes per hectare [in the UK] are now well below half the mid 1960s figure in real terms, while national average earnings [of the rest of the population] have risen by about a third".

Against that background, the fact that even big acreage farmers will, under this week's package, be compensated for land taken out of the production of commodities in surplus, or set-aside, seems like a breakthrough. Similarly, the agreement to raise the upper limit on sheep flock and beef herd sizes to more realistic levels and still allow at least half the rate of headage compensation paid to smaller farmers is a worthwhile concession although probably not sufficient to save significant numbers of hill farmers.



15 per cent of Britain's farm land set aside, there will be less grain, oil seed, sugar beet and other crops to haul from farm to processing plant. With less land being cultivated, fewer tractors and farm implements will be needed and the farm machinery trade will decline even further from its already depressed level. A Norfolk machinery dealer told me that MacSharry was the last straw. He has already decided to give up the struggle to make a profit and will sell up as soon as possible. Sales of inputs such as seeds, fertilisers and crop protection chemicals will also decline.

Moreover, fertiliser and chemical sales may fall further than the obvious 15 per cent based on the set-aside acreage. Farmers will be looking at the new pricing structures, and calculating whether the optimum levels of such products may have changed.

Last year, for instance, it quickly became clear that area payment for oil seeds combined with a lower sale price meant that the optimum yield for the best return had declined from the biggest tonnage it was possible to grow

on top-quality land said that he would have to be dragged into set-aside. He would rather sell his grain for whatever he can get and forgo any area compensation. It is not clear whether such a course of action will be legal.

Set aside will also be unpopular among farmers because much of the pleasure of farming lies in trying to grow better crops every year. Passing motorists are unlikely to welcome the policy either, especially when they realise that a portion of their taxes is paying me to grow nothing on that land.

That alone will lead to intense pressure to cut the payments. And then there remains the General Agreement on Tariffs and Trade, which is still unresolved. Will an agreement in Geneva cut farm incomes still further? Will farmers find it even more difficult to survive in business?

The hope for farmers is that the governments of the world will take so many measures, on the lines of CAP reform, in order to cut food production that they will overdo it and cause shortages. When you look closely at the rundown in world stocks of some basic commodities over recent years and discount some of the very localised rhetoric on European surpluses that possibility does not seem out of the question. If that happened farmers would be only too pleased to sell produce at world market prices.

Kenneth Tynan should have been alive this week in America. Still, his ghost might have the satisfaction of knowing that he was probably the most quoted man in the country, all the words taken from an article he wrote in the New Yorker magazine more than 14 years ago.

To everybody outside the US, this proposition will appear preposterous. What or who could Tynan have written about in February 1978 that conceivably could have been considered more notable in this particular week of May 1992 than, say, Ross Perot, George Bush and Bill Clinton (who want to be president), Michael Jordan and Shaquille O'Neal (the glorious present and future of basketball), Roger Federer (the tennis star in the electric chair in Virginia) or Murphy Brown (who does not even exist in real life)?

The answer is Johnny Carson, who retired last night after 29 1/2 years as host of NBC's *Tonight Show*, the granddaddy of talk-show programming. And for those who still scratch their heads and say "who?" or "why?", assuming, as they reasonably might, that there is no American television

programme that has not been exported somewhere in the world since the invention of the medium, the second answer is that Johnny Carson is one of those peculiar national institutions, beloved of every culture, that is simply not very exportable, a bit like cricket, which, like the face it, is only played in the old British empire - and, for obscure reasons, Holland.

Explaining Carson's appeal is quite difficult, which is why Tynan's article has been so massively mined by a new generation of critics and social commentators this week. The best of his quotes, as valid today as then, comes from Billy Wilder, the film maker.

"By the simple law of survival, Carson is the best. He catches the pulse of the nation as well as the pulse of the people who have to get up at dawn. He is the Valium and Nembutal of the nation. No matter what kind of dead-asses are on the show, he has to make them funny and exciting. He has to be their nurse and their surgeon. He has no concept."

"He's the cream of middle-class elegance, yet he's not a muggle. He has captivated the American bourgeoisie without ever offending the highbrows and he has never said anything that wasn't liberal or progressive."

Obviously longevity on the job has added to Carson's unique place in the national affection. He has survived seven presidents, two wars, the collapse of the Soviet Union, assassinations and urban unrest.

Each night at 11.30pm (an hour earlier in the Midwest, which is an early closing part of the country) Americans, who have almost as many televisions in their homes as others have lightbulbs, become accustomed to tuning in, or out, Carson catered for both.

Already a successful quiz show host, he took over *Tonight* from the mercurial Jack Paar on October 1, 1962, only after several considerable humiliations of wit, including Grocho Marx and Bob Newhart, had turned it down. Since then, he has outlasted all the competition the other networks have thrown at him. He has cut down a lot on the

original Monday-to-Friday schedule in recent years but the programme's trademark introduction Ed McMahon, the second banana, shouting out "Heeeeere's Johnny" - is in the national lexicon.

The programme's formula also never varied. On comes Carson, always in a jacket and tie, never in a suit, never an open-necked shirt, for the opening monologue, six or seven minutes of skilled patter, with good contemporary one-liners provided for him by a team of script writers and always ending with an imaginary golf swing. He would occasionally dress up as comic characters of his own invention, a bit like the late Benny Hill, but cleaner. The jokes might not linger but the impeccably timed deadpan comic delivery often made them seem better than they were.

Thus, in this final week, there were good lines about Vice-President Dan Quayle and his assault on the Murphy Brown TV character who has been the object of his discontent. "I thought the vice-president never watched Murphy Brown because it was up against 'F Troop' on cable".

Some have seen Carson over the years as an arbiter of political taste and certainly his contempt for Richard Nixon over Watergate was palpable. The safer conclusion was that if he turned his not-always-gentle barbs against a politician, then his target was probably already in trouble.

But the principal matter was always showbiz. Increasingly so after the show moved from New York to Los Angeles in 1972. His first - and last - guest was Tony Bennett, the singer. This year he finally induced an appearance from Elizabeth Taylor, fetchingly dressed in black bikini gear with decolletage. There was a session with Frank Sinatra in 1976, made memorable when another guest, the comedian Don Rickles, insisted



Carson: a national institution

## Theeeeere's Johnny

The talk show king is abdicating, says Jurek Martin

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Lloyd's Name denies not having shared risks

From Mr John Downer.  
Sir, Your article, "Tory MP Names attack Lloyd's" (May 21), mentions the reference to me in the Commons early day motion tabled on Wednesday by Paul Marland MP.

Although I am no longer involved in the day-to-day running of this company, I can confirm that when I was its proprietor (up until October 1990), a fundamental principle of the agency was that either I or my wife, also a director of the agency, would participate on all syndicates on which our Names were placed. This was the agency's policy from inception of the company in 1976.

In the case of the syndicates referred to in the early day motion on which Mr Marland's Name was placed - ie Bolling syndicates, managed by Devonshire, and Marine Syndicate 299, managed by Gooda Walker - my own, or my wife's involvement has meant that we have both suffered our share of the losses.

I considered it my responsibility to share the fortunes of recommendations with Names and this policy was clearly communicated to them - indeed, many Names found this very reassuring.

My involvement in syndicate 46 was also mentioned in the early day motion being a syndicate I joined in the mid-1980s. I endured the major losses it suffered when it crashed at the end of that decade. When the syndicate was restored to profitability, I sought additional capacity for Names whose affairs I was managing but was refused, despite the strenuous part I had played in the syndicate's rehabilitation.

I appreciate that Mr Marland is, like myself and many other Names, suffering personally losses at Lloyd's, but I bitterly resent that he should use his parliamentary privilege to vent inaccurate accusations.

John Downer,  
Donner Underwriting Agencies,  
11-12 Bury Street,  
London EC3A 5AB

### No one's interests are served in undermining prices index

From Mr D E Lea.  
Sir, Leaving aside its wholly unfounded, and indeed insulting, premise, your attack on the advisory committee on the Retail Prices Index (Leading article, "RPI RIP", May 21) as an anachronism "representing vested interests determined to get as much out of cost-of-living compensation as possible" is hard to reconcile with the decision of your distinguished columnist Samuel Brittan to join the committee, a decision which we would all welcome.

Let me explain why the present arrangement is still generally supported. You say the job of determining the index should be left to the Central Statistical Office. As CSO officials will testify, many of the points in the handling of the RPI have benefited from non-governmental expertise. Statistics users have confidence in the RPI: this is not unconnected with the fact that it is seen to be free of government manipulation, unlike the unemployment figures, to take one notable example.

Many billions of pounds of public expenditure are determined by the figure. No one's interests are served by undermining it. So far as the TUC is concerned, we have loyally supported all the recommendations of the advisory committee even when we may have a

### Pricing for health care

From Mr David T Ervine.  
Sir, Mr Peter Reeves (Letters, May 18), in raising the question of restructuring the private health service, proposes a change to a pre-determined price for a full episode of treatment, so encouraging a more rapid embracing of short-stay technologies.

In fact, the private sector already offers predetermined prices by way of fixed cost surgery, a system first introduced by Nuffield Hospitals.

There is, however, a difficulty in making this pricing system more widely available. This lies in the varying length of hospital stay which is usually based on medical pre-conditions. The priority must be patients' well-being; it may not be in their best interests if hospitals have too great an incentive to "turn round" patients quickly.

The private health sector has pioneered the adoption of short-stay procedures such as keyhole surgery so as to embrace advances in technology while maintaining its commitment to high levels of medical care. We believe the uptake of such techniques is far greater in the private sector, perhaps because the private sector is naturally more accustomed to adapting rapidly to changes in consumer demand.

David T Ervine,  
Nuffield Hospitals,  
1-4 The Crescent,  
Surrey KT6 4BN

### Schools and business in partnership

From Mr Derek Morgan.  
Sir, Miss F H McLean is stringently correct (Letters, May 18) of an initiative by a well-known supermarket to support local schools by the issue of vouchers exchangeable for free computer equipment.

Miss McLean's notion that this offer "well illustrates" the partnership between business and education - which the government is encouraging - is both capricious and misleading. Our Mid Glamorgan Education Business Partnership

has now been in existence for over three years and has developed very robust and extensive relationships between the local education authority, the Welsh Office, industry and commerce, our Training and Enterprise Council, teachers and students, and local communities.

My colleagues, mainly seconded from education and business, are involved in delivering specific programmes to 42 comprehensive schools, nine special schools, and many of our 350 primary schools in the county. These programmes include enterprise development, curriculum enhancement, teacher placement and compact. Our second annual report, for 1990-91, lists 150 local private and public sector

organisations which have provided much appreciated support during the year. Tesco, the supermarket in question, is one of these organisations.

At a recent three-day European conference on school/industry links at Porthcawl, Mr David Hunt, the secretary of state for Wales, delivered a supportive speech underlining his, and the government's, commitment to the partnership concept as achieved in Mid Glamorgan.

Derek Morgan,  
Education Business Partnership,  
Treforest Industrial Estate,  
Pontypridd,  
Mid Glamorgan CF87 5YL

### Not enough consideration of support for beatification

From P Perreau de Pinnick.  
Sir, Robert Graham's article on the founder of Opus Dei raises many questions that it answers ("The rush to beatify an impatient saint", May 18). He reproduces a long list of defamatory statements against Msgr Escriva, most of them in reported speech, while giving little consideration to the opposite arguments.

The criticisms about Msgr Escriva and Opus Dei have repeatedly been denied not only by Opus Dei spokesmen, but also by many other people.

If these accusations were true, it would be difficult to explain why so many people devotion towards Msgr Escriva and claim to have obtained graces through his intercession. It would be particularly difficult to explain why more than 200,000 pilgrims travelled to Rome from many parts of the world to spend peacefully and cheerfully several hours under a hot sun to attend his beatification.

If the criticisms were accurate, it would be all the more difficult to explain how the

complex procedural hurdles - including the proof of a miracle - to beatify Msgr Escriva could have been overcome, since procedural decisions are adopted in different steps by majority vote by committees of diverse composition, and those criticisms were already known.

There are two different views of Msgr Escriva: that of a man of dubious standing, and that of a saint. One of them is wrong. Should the benefit of the doubt be in favour of the massive evidence and testi-

monies without which Msgr Escriva's beatification could not be accomplished, or in favour of critical statements coming from limited sources? In my view, the answer is clear - unless, of course, one believes in the conspiracy theory: an almost unlimited capacity by Opus Dei not only to manipulate the Vatican, but also grossly to deceive its own members and sympathisers.

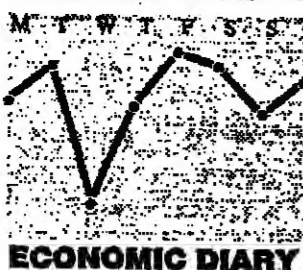
P Perreau de Pinnick,  
Av Moliere 323,  
1060 Brussels

## ADVERTISEMENT

# BUILDING SOCIETY INVESTMENT TERMS

	Product	Rate	Term	Interest	Minimum	Access	Other details
Allerdale and Lancaster	Money Day	10.35	7 1/2	Yearly	Tenured	100,000	9 1/2% 30/360 50/50 25
	1st Rate	9.65	7 1/2	Yearly	100,000		9 1/2% 30/360 50/50 25
	2nd Rate	8.75	6 3/4	Yearly	100,000		9 1/2% 30/360 50/50 25
	3rd Rate	10.10	7 1/2	Yearly	100,000		9 1/2% 30/360 50/50 25
Barnsley (0222) 733994	Standard Mortgage	10.25	10 1/2	Yearly	150,000		9 1/2% 30/360 50/50 25
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## ECONOMIC DIARY

**TODAY:** Start of two-day meeting of the European Community general affairs council in Lisbon.

**TOMORROW:** Start of two-day meeting of the European Community agricultural council in Curia. Sudan's militant Islamic government and rebels fighting for autonomy in the Christian south of the country meet for peace talks in Abuja, Nigeria. First city-wide council elections in Berlin since 1946.

**MONDAY:** Mr John Major, prime minister, visits Poland (until May 28). South African democracy talks are expected to resume.

**TUESDAY:** Central Statistical office publishes balance of payments current account and overseas trade figures (April). European Community environment ministers meet in Brussels. Mr Major visits Czechoslovakia (until May 28). Mr Douglas Hurd, foreign secretary, starts visit to Mexico to promote trade ties (until May 29). Arkansas, Kentucky and Idaho primaries in the US.

**WEDNESDAY:** Building Societies Association issues monthly figures (April). The Department of the Environment gives figures for new construction orders (March - provisional). US durable goods (April). Final results from the Bop.

**THURSDAY:** Energy trends (March) from the Department of Energy. Statistics for new vehicle registrations (April) issued by the Department of Transport. US jobless claims; import/export trade indices (April). Start of two-day meeting between the European Community and Latin American countries in Santiago de Chile. Half-day general strike in Spain. Final results from North West Water, Scottish Power and Thorn EMI. BAT Industries annual general meeting.

**FRIDAY:** Central Statistical Office publishes figures for sales and orders at current and constant prices (March). US real gross domestic product (preliminary release - first quarter); agricultural prices, mid-May.

## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Friday May 22 1992					Highs and Lows Index				
	Index	Day's Change	Est. Value (M)	Gross Div. Yield (%)	Est. P/E Ratio	Index	Index	Index	Index	Index
Figures in parentheses show number of stocks per section										
1 CAPITAL GOODS (179)	925.01	-0.2	6.40	5.03	20.34	14.90	926.77	929.04	922.91	929.04
2 BUILDING MATERIALS (22)	1102.83	-0.2	5.02	5.37	27.68	19.03	1104.85	1108.89	1097.61	1121.52
3 CONTRACTING & CONSTRUCTION (28)	1054.29	-0.3	3.44	5.73	61.44	23.52	1057.64	1066.39	1052.01	1084.64
4 ELECTRONICS (6)	2758.50	-0.1	6.71	5.35	19.37	68.82	2758.07	2757.98	2744.49	2758.50
5 ELECTRONICS (29)	2020.69	-0.1	8.87	4.21	14.29	5.05	2020.69	2020.97	2020.97	2020.69
6 ENGINEERING-AEROSPACE (7)	401.59	-1.1	8.73	6.47	14.23	11.16	405.99	406.10	402.23	406.10
7 ENGINEERING-GENERAL (14)	567.21	-0.1	7.33	4.15	16.93	7.82	567.33	567.62	567.01	567.62
8 METALS AND METAL FORMING (8)	374.79	-0.1	0.87	0.21	9.21	2.03	374.63	374.79	374.19	374.79
9 MOTORS (4)	401.59	-0.3	6.40	4.03	19.78	9.96	403.08	401.72	393.03	403.08
10 OTHER INDUSTRIAL MATERIALS (19)	1399.64	-0.2	6.54	4.36	18.42	33.79	1402.23	1404.11	1399.73	1402.23
11 CONSUMER GROUPS (11)	1734.42	-0.4	7.03	3.31	17.43	16.67	1727.44	1735.58	1731.17	1742.72
12 DRUGS AND DRUGS (2)	2234.06	-0.4	7.52	3.32	15.97	16.84	2227.34	2237.39	2225.40	2240.63
13 FOOD MANUFACTURING (17)	1294.15	-0.3	6.06	4.06	12.05	20.35	1296.45	1296.39	1288.98	1311.11
14 FOOD RETAILING (13)	2876.66	-0.9	8.48	3.17	15.30	22.90	2890.76	2943.97	2878.03	2978.66
15 HEALTH AND HOUSEHOLD (24)	4163.31	-1.1	6.63	2.55	17.19	35.84	4124.19	4136.38	4118.87	4231.90
16 HOTELS AND LEISURE (20)	1423.76	-0.1	5.66	4.78	22.02	21.50	1425.83	1430.40	1420.78	1450.36
17 MEDIA (25)	1672.76	-0.3	5.61	3.28	21.83	16.84	1677.22	1675.39	1668.00	1681.90
18 PACKAGING, TOBACCO & PRINTING (7)	856.96	-0.2	0.00	3.85	20.13	11.55	856.78	863.94	853.31	870.27
19 STORES (33)	1124.67	-1.5	6.75	3.26	19.63	6.71	1107.54	1106.89	1105.66	1107.54
20 TEXTILES (10)	732.23	-0.6	6.10	4.13	20.66	10.52	749.08	749.12	744.94	750.06
21 OTHER GROUPS (11)	1355.00	-0.7	9.00	4.79	13.95	14.44	1345.85	1342.64	1335.46	1359.32
22 BUSINESS SERVICES (17)	1585.75	-0.6	6.23	4.23	19.66	16.46	1586.40	1587.99	1583.19	1611.16
23 CHEMICALS (22)	1599.41	-0.2	6.71	4.58	18.28	24.37	1596.83	1601.72	1598.04	1641.20
24 CONGLOMERATES (11)	1442.25	-0.1	8.96	5.99	13.94	11.37	1427.68	1431.90	1440.97	1457.52
25 TRANSPORT (11)	2768.86	-0.5	6.47	4.15	16.35	30.47	2778.26	2781.12	2749.45	2819.61
26 ELECTRICITY (16)	1183.09	-0.4	13.28	4.82	9.82	17.21	1187.92	1191.32	1183.51	1233.99
27 TELEPHONE NETWORKS (4)	1505.86	-0.7	10.13	4.32	12.82	16.02	1480.57	1487.80	1449.88	1471.43
28 WATER (10)	2915.00	-0.1	14.45	5.43	7.53	10.00	2917.21	2913.33	2887.63	2934.20
29 MISCELLANEOUS (22)	1061.17	-0.2	5.42	4.61	25.39	15.74	1061.99	1062.96	1058.74	1069.79
30 INVESTMENT TRUSTS (48)	1484.63	-0.4	7.94	4.11	16.57	15.44	1489.31	1492.68	1479.44	1497.07
31 OIL & GAS (7)	2126.10	-0.3	7.13	6.69	16.37	18.43	2129.40	2134.87	2124.37	2132.55
32 500 SHARE INDEX (500)	1483.81	-0.5	7.30	4.36	16.74	19.30	1476.93	1481.36	1474.39	1493.99
33 FINANCIAL GROUP (87)	797.43	-0.1	5.70	17.10	80.89	80.65	796.81	799.11	792.65	802.45
34 BANKS (9)	1010.32	-0.5	4.40	30.12	24.58	1015.36	1026.34	1016.89	1026.34	1026.34
35 INSURANCE (LIFE) (6)	1590.86	-1.2	5.60	-	-	44.26	1613.38	1613.38	1613.38	1613.38
36 INSURANCE (GENERAL) (7)	958.45	-0.4	-	-	-	44.26	959.35	961.59	960.01	964.54
37 INSURANCE (FIRE) (10)	998.81	-0.5	8.2	16.81	21.40	1001.80	1002.77	1001.45	1003.44	1003.44
38 MERCHANT BANKS (7)	521.89	-0.1	3.97	4.25	320.33	520.95	518.07	520.95	521.89	521.89
39 PROPERTY (3)	729.56	-0.1	7.34	6.39	18.34	7.76	728.76	727.68	714.41	729.56
40 OTHER FINANCIAL (2)	271.22	-0.1	6.66	30.36	3.12	271.09	269.94	268.25	268.25	271.22
41 INVESTMENT TRUSTS (70)	1261.15	-0.1	5.34	-	-	15.07	1261.42	1266.34	1261.42	1273.08
42 ALL-SHARE INDEX (657)	1319.18	-0.3	4.50	-	-	18.45	1314.63	1316.33	1312.07	1326.36

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## INTERNATIONAL COMPANIES AND FINANCE

## GM chairman underlines policy of 'profits first'

By Martin Dickson  
in New York

MR Robert Stempel, chairman of General Motors, yesterday underscored the company's sharp change of policy when he said its heavily loss-making North American operations would concentrate on "profits first" and less on maintaining market share.

He also told shareholders at the company's annual meeting that GM now aimed to operate at 100 per cent capacity in 1994, a year ahead of the completion of a North American restructuring announced last December.

Analysts reckon GM plants are running on average at little more than 60 per cent capacity.

His remarks followed a

boardroom coup last month by GM's non-executive directors, unhappy at the management's slow movement in grappling with the North American losses. Mr Stempel was removed from the leadership of a board committee, while his right-hand man, Mr Lloyd Reuss, was replaced as company president by Mr Jack Smith.

Since then, the company has greatly accelerated its programme for restructuring North America. Mr Stempel said yesterday the focus had moved from "market share with profitability" to "profit first".

GM, which saw its US car market share plunge from around 46 per cent at the start of the 1980s to the face of Japanese competition, has managed to stabilise the total at around 35 per cent - but partly by unprofitable sales to fleet buyers, such as car rental companies.

Mr Stempel said the company was pursuing five strategies to improve profits. These included consolidating the number of vehicle "platforms" or basic sub-structures, used to make its North American models as well as the number of component sets. It would also intensify its use of the "lean" manufacturing methods pioneered by Japanese companies.

GM was also moving to a system of buying materials for its US manufacturing plants from the cheap suppliers, wherever in the world they might be.

## Canadian banks face claim over O&amp;Y loan

By Bernard Simon in Toronto  
and Alan Friedman in New York

AN international banking syndicate led by Hongkong & Shanghai Banking Corporation and Credit Lyonnais has accused four Canadian banks of gaining an extraordinarily large chunk of Olympe & York's assets as collateral for a relatively small C\$126m (US\$109m) loan.

A Credit Lyonnais official alleged in an affidavit lodged with the Ontario Court of Justice that the Canadian banks may have obtained a "fraudulent preference" as creditors of the debt-burdened property developer.

The international banks, which provided a US\$4.5bn "junk" loan to O&Y in 1989, obtained a court ruling on Thursday evening which permits them to challenge the collateral should O&Y eventually be placed in bankruptcy and its assets liquidated.

The four Canadian banks cited in the affidavit - Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and National Bank of Canada - advanced the C\$126m loan at the height of O&Y's liquidity crisis in March to help fund the Canary Wharf project. The banks had originally agreed to provide C\$240m, but one of them raised objections as rumours circulated about O&Y's financial condition.

Security for the full loan had already been registered. According to the affidavit, security for the loan included two debentures, each for US\$275m, against O&Y's two biggest towers in Toronto, plus pledges of shares in two other Toronto buildings.

The affidavit claims that this collateral secures not only the loan made in March, but also earlier advances by the four Canadian banks totalling \$450m (US\$396.5m) to fund Canary Wharf.

Meanwhile, in New York, Mayor David Dinkins yesterday announced a plan that will allow O&Y to stretch out over 12 months a US\$125m property tax bill, half of which would have become due on June 30. Failure to make the tax payment on June 30 could have forced O&Y into a formal US bankruptcy filing on its New York properties.

The tax bill should be paid in two lump sums of US\$63m each, on July 1 and on January 1 of next year. The city has agreed to accept 12 monthly payments of US\$10.5m each, plus two payments of US\$2.4m in interest penalties.

## Smooth power change at the top for Renault

William Dawkins profiles the group's new chairman

It is a sign of how times have changed at Renault that the French state-owned car maker is expected in the next few days to put into effect the smoothest power change in its history.

Mr Raymond Lévy, chairman for the past six years, retired at midnight with the automatic expiry of his second three-year mandate.

On Tuesday, the Renault board will nominate Mr Louis Schweitzer, 49, current managing director, who Mr Lévy has been grooming as his successor for the past three years in the knowledge that he must retire by 65, which he reaches next month.

The French cabinet has the final voice on public sector chairmanships and is expected to give approval on Wednesday. It cannot easily choose anybody else. Mr Schweitzer, one of the chief architects of Renault's alliance with Volvo, has the support of Mr Pehr Gyllenhammar, the Swedish group's president, who speaks for 30 per cent of the shares. The first time an outside investor has had an influence on a change of leadership at Renault.

The principle of handing over power to someone inside the company has been rare in French state-owned industry, where appointments are set by central fiat, sometimes sensitive to political as much as business factors.

However, Mr Pierre Bérégovoy, the new prime minister, has set a new tone by declaring that he does not want to impose unnecessary management changes at the 45 or so other state companies whose chairmen come up for re-election.

tion in the next few months.

Trained in the oil and steel businesses, Mr Lévy was parachuted into Renault from the top job at Cockerill-Sambre, the Belgian steel group, after the previous car group chairman, Mr Georges Besse, was killed by terrorists in 1986.

Mr Lévy had little background in the car industry and so sensibly made it his mission to pursue the strategies initiated by Mr Besse of injecting more professionalism into management, cutting costs, modernising the organisation of work, improving quality and quickly renewing the model line.

In 1987, Renault made its first profits for six years and earnings more than doubled last year to FF\$3,080m (\$567m) net, helped by a sharp rise in sales to Germany, where Renault is the biggest selling foreign marque. The alliance with Volvo, pushed hard by Mr Lévy, has proved more successful than either side expected and they both hint that it could develop into a full merger. Mr Lévy says his only regret is that he could not have moved faster.

Renault's old and new chairmen are very different people. Mr Lévy is outgoing, with a reputation for either charming or upsetting his colleagues.

On arriving at Renault, he made no bones about complaining that his Belgian-bought Renault 25 needed repairing every month and refused to accept sloppily written memos.

As an economic liberal, he gets on badly with Mr Jacques Calvet, the chairman of Peugeot. Relations between the companies have sunk to an



Louis Schweitzer: chief architect of alliance with Volvo unprecedented low in recent years.

Mr Schweitzer, a distinguished member of the left-wing establishment, is an unflappable intellectual. He comes from a family of intellectuals, as son of a former head of the International Monetary Fund and a great-nephew of Dr Albert Schweitzer, the Nobel prize winning missionary.

He has a reputation for avoiding surface confrontation at all costs, but is at the same time stubborn - a mix of qualities that might appeal to his Swedish partners, and which might also permit better relations with Peugeot.

Just how he managed to get on so well with Mr Lévy is a mystery, especially since Mr Schweitzer once had the unenviable task of telling Mr Lévy that his services were no longer needed as the head of Usinor, the state-owned steel group. At the time, Mr Schweitzer was senior adviser to Mr Laurent Fabius, when the current Socialist party leader was prime minister.

Mr Schweitzer was appointed to the general management of Renault, his first industrial job, just after the Socialists lost the 1986 election and just before the death of Mr Besse. Mr Lévy forgot old grudges fast after his unexpected arrival at Renault and soon appointed Mr Schweitzer to deputy managing director and then managing director in 1990.

The two men do have one thing in common: that they are both products of the prestigious civil service colleges which prepare the French élite for power.

Mr Schweitzer went to the Ecole Nationale d'Administration, founded after the war to regenerate the civil service, and including among its alumni several public-sector chairmen and three prime ministers. He graduated to become an Inspector des Finances, the qualification to join the fast track at the treasury, awarded only to the top couple of dozen people of each generation. As Mr Schweitzer's career shows, Inspecteurs des Finances are also astonishingly adaptable.

## Earnings at Mazda tumble 60%

By Robert Thomson in Tokyo

THE DOWNTURN in the Japanese car market last year led to a 60 per cent fall in pre-tax profit at Mazda to ¥19.7bn (\$161m). The car maker was also bruised by increased depreciation charges on new production facilities.

Mazda had hoped that the introduction of new medium-sized and luxury models last year would itself have stimulated demand within Japan, but its sales in the domestic market fell from 599,650 units to 548,627

units and total sales value rose by only 3.5 per cent to ¥234.6bn.

The company is forecasting an even tougher year ahead, with pre-tax profit down to ¥15bn and sales slightly higher at ¥2,430bn. However, the continuing weakness in the domestic market may force downward revisions in coming months.

Like most other Japanese makers, Mazda had presumed in the late 1980s that the remarkable growth in car sales which accompanied the expansion of the "financial bubble" would continue indefinitely, and the company was prompted to add extra production capacity.

But new car registrations in Japan started falling in the last quarter of 1990 and the decline last calendar year was 6.5 per cent. While some makers were able to expand their sales revenue by increasing exports, Mazda's exports increased by only 3,795 units to 859,638 units.

One consequence of the difficult conditions was a ¥72.4bn fall in Mazda's cash deposits to ¥108.9bn, and a ¥10.7bn increase to ¥83.7bn in finished products on hand.

## Daiei buys stake in Recruit

DAIEI, Japan's largest supermarket chain, will acquire a one-third stake in Recruit from Mr Hiromasa Ezoe, the former chairman who was at the centre of the 1989 bribery scandal involving the publishing and information company, writes Emilio Terazono in Tokyo.

The stake was sold for an estimated ¥50bn (\$384m) which will be used to restructure the business. The real estate and finance subsidiaries face heavy debts due to sharp falls in land and stock prices.

The purchase will give Daiei, which is based in western Japan and has been hindered in its expansion into the Tokyo area due to higher land prices, access to Recruit's properties.

It will also allow Daiei, which controls 20 per cent of Japan's supermarket trade, to diversify.

## JVC turns in first deficit for four decades

By John Burton in Tokyo

IN ANOTHER sign of the troubles afflicting the Japanese consumer electronics industry, JVC yesterday reported its first loss in four decades with a pre-tax deficit of ¥2.3bn (\$17m) for the fiscal year ending in March.

The result, however, was better than JVC's expectation that it would lose ¥2.8bn. It forecast a return to profitability in the current fiscal year with pre-tax earnings of ¥1bn, well below the ¥2.3bn it earned in fiscal 1990.

Sales fell 6 per cent to ¥606bn, while net earnings fell by 96 per cent to ¥544m due to extraordinary costs associated with the restructuring of its 18 sales subsidiaries in Japan. Sales are expected to fall further in fiscal 1992 to ¥500bn due to weak demand in Japan, while the net profit will climb to ¥1bn.

The dividend was cut to ¥10 from ¥12.50 the previous year. Consolidated sales slipped by 9 per cent to ¥539bn, while net earnings dropped by 88 per cent to ¥23bn.

JVC has been hurt by lower demand in Japan, the US and Europe for consumer electronics.

Pioneer, the Japanese consumer electronics concern, reported a 13.4 per cent fall in pre-tax profits to ¥3bn for fiscal 1991 and predicted a further 20 per cent decrease in the current fiscal year.

Sales rose by 4.9 per cent to ¥416bn as an increase in exports limited the effects of a downturn in the Japanese market.

But earnings were adversely affected by slimmer profit margins due to the appreciation of the yen and strong competition in both Japan and abroad. Net profit fell by 11.9 per cent to ¥17.8bn.

## Allianz and Dresdner condemn Berlin ruling

By David Waller in Frankfurt

ALLIANZ, Europe's largest insurance company, and Dresdner Bank, Germany's second largest bank, yesterday condemned the German cartel office's ruling that Allianz should reduce its shareholding in Dresdner and that the two should cut back their co-operation in the German life insurance market.

For the first time since the end of March, when the Berlin-based federal cartel office ordered Allianz to cut its stake in Dresdner from more than 22 per cent to about 19 per cent

the two institutions spelled out their detailed objections to the office's findings.

The Berlin move is seen as an attack on the heart of Germany's financial and industrial establishment. Yesterday's statement, couched in what for Germany is unusually confrontational language, means that there is likely to be a long battle as the two institutions fight the ruling in the courts.

The two institutions insisted that their co-operation in the German life insurance market - the biggest in Europe with annual premiums of more than

DM50bn (\$30.3bn) - was not anti-competitive. Dresdner had decided in 1989 that the best way to proceed in the life market was to team up with insurers, the statement said. There was no question that the link with Allianz was preventing it from setting up its own life company, as the cartel office has alleged.

They rejected the authorities' charge that Allianz dominates the life market through its network of holdings in Dresdner and other life companies. "Healthy competition reigns in the life market," the statement declared, adding

that there were plenty of other link-ups between banks and insurance companies which had not aroused the authorities' concern.

Allianz said that its shareholding in Dresdner ought to be seen as an "above average profitable capital investment" - by implication not a means to exercise unwelcome control over the bank's management. It said there was no way that Allianz could exercise a voting majority of Dresdner's shares, as the cartel office alleged. Lex, Page 24

## WORLD COMMODITIES PRICES

## LONDON MARKETS

SPOT MARKETS	Latest prices	Change on week	Year 1992	High	Low
Gold per troy oz.	\$377.70	-1.7	\$356.05	\$403.25	\$335.90
Silver per troy oz.	\$25.34	-1.50	\$25.80	\$28.50	\$23.50
Aluminium 99.7% (cash)	\$1,720	-1.75	\$1,725	\$1,825	\$1,625
Copper Grade A (cash)	\$1,231.25	+7.75	\$1,235.5	\$1,475	\$1,147.0
Lead (cash)	\$281.5	-4.75	\$281.0	\$292.5	\$278.0
Nickel (cash)	\$7,537.5	+1.5	\$7,537.5	\$7,537.5	\$7,537.5
Zinc SHG (cash)	\$1,370.0	-2.5	\$1,370.0	\$1,370.0	\$1,370.0
Tin (cash)	\$9,190	-2.5	\$9,190	\$9,190	\$9,190
Cocoa Futures (Jul)	\$5,250	-3	\$5,250	\$5,250	\$5,250
Coffee Futures (Jul)	\$73	-3	\$73	\$73	\$73
Sugar (LDP Raw)	\$22.74	-0.0	\$22.74	\$22.74	\$22.74
Barley Futures (Jul)	\$1.07	-0.05	\$1.07	\$1.07	\$1.07
Wheat Futures (Jul)	\$1.23	-0.05	\$1.23	\$1.23	\$1.23
Cotton Futures A Index	\$0.49	-0.0	\$0.49	\$0.49	\$0.49
Wool (New Super)	\$19.57	-2	\$19.57	\$19.57	\$19.57
Oil (Brent Blend)	\$19.57	-2	\$19.57	\$19.57	\$19.57

See notes on otherwise stated. Futures prices are in US dollars.

## SUGAR - London FOX

Raw	Close	Previous	High/Low
Oct	210.20	207.60	209.40-212.40
Nov	201.00	199.40	200.20-202.00
Mar	196.00	194.00	193.00

White Close | Previous | High/Low || Oct | 277.50 | 275.50 | 277.00-278.00 |
| Nov | 264.00 | 262.50 | 263.50-265.00 |
| Mar | 260.00 | 258.50 | 259.50 |

Turnover: Raw 72 (51) lots of 50 tonnes

White 38 (97)

Paris: White (FF per tonne) Aug 1992: 44 Oct 1992: 44

ICE Index 105.2

Turnover 1400 (330) lots

QAS OIL - IPE

Close Previous High/Low

Jul 19.50 19.50 19.50 19.50

Aug 19.50 19.50 19.50 19.50

Sep 19.50 19.50 19.50 19.50

Oct 19.50 19.50 19.50 19.50

Nov 19.50 19.50 19.50 19.50

Dec 19.50 19.50 19.50 19.50

Jan 19.50 19.50 19.50 19.50

Feb 19.50 19.50 19.50 19.50

Mar 19.50 19.50 19.50 19.50

Turnover 961 (1128) lots of 100 tonnes

SPICES

The European Spices Association is meeting in Amsterdam to discuss closer cooperation between producers, traders and grinders, reports Mani-production. Grinders remain low priced, spot Madagascar US\$1,000 a tonne, shipment \$775 lb. Nutmegs, mace unchanged. Cassia unchanged.

Madagascar cinnamon FF\$ 54, June-July shipment. Ginger, Indian cashew \$1,100.

Nigerian soft selected grade between \$600 and \$650 ex-warehouse. Jamaica pimento, spot Rotterdam \$2,425, shipment \$2,395 off.

Mexico new crop \$1,750, October shipment.

COCOA - London FOX

Close	Previous	High/Low
May	540	538
Jul	540	538
Sep	540	538
Nov	540	538
Jan	540	538
Mar	540	538
May	540	538
Jul	540	538
Sep	540	538
Nov	540	538
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Mar	540	538
May	540	538
Jul	540	538
Sep		

## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar continues to strengthen

THE DOLLAR continued to strengthen against the D-Mark and other European currencies yesterday as the market saw more evidence that the differential between German and US short-term interest rates is unlikely to widen further, writes James Blitz.

Part of the reason for renewed confidence in the US currency was the news that German monetary supply in April had grown more slowly than expected. After last month's poor figure showing a 9.7 per cent rise for March, the April figure for M3 money supply came in at 8.8 per cent, dashing fears that it would be in double figures.

That will take pressure off those in the German central bank who were tempted to raise rates again. So, too, will the figure for Germany's March retail sales, which were down 6.4 per cent year-on-year, when many had expected it to be down by far less.

Combined with the Federal

Reserve's apparent unwillingness to cut rates, the interest rate differential now looks less likely to widen further. As a result, the markets pushed the dollar up to DM1.8240 in early European trading.

However, confidence in the dollar wore off later in the day. Some traders speculated that this weekend's preparatory meeting for the July summit of the Group of Seven leading industrial nations might make a statement that the D-Mark should be stronger. Others are still waiting for better indicators of US economic recovery before becoming convinced dollar bulls. As a result, the dollar closed in London at DM1.8185, up nearly half a penny on the day. In late American trading, it declined further, down to DM1.8170.

The yen also made significant gains against the D-Mark, which was pushed below the important psychological barrier of ¥80. Dealers said that the yen had gained from the

German currency's downside in D-Mark/dollar trading. The dollar was in more demand against the yen, and this had the effect of pushing the mark down on the yen cross rate, one trader said. The D-Mark ended down on the day at ¥79.83, compared to a previous close of ¥79.80.

Sterling also gained against the D-Mark, as the markets clearly ignored the fall in period rates in the sterling cash markets in recent days. Instead, one London-based analyst suggested that dealers were impressed by the British Chancellor's statement earlier this week that he wants to get inflation down to 2 per cent.

The pound gained half a penny against the D-Mark to close at DM2.9375. But UK economic indicators this week have been mostly mixed, and sterling has never looked likely to push through its central rate of DM2.95.

## E IN NEW YORK

May 22	May 21	May 20
1.8185-1.8185	1.8185-1.8185	1.8185-1.8185
1.8185-1.8185	1.8185-1.8185	1.8185-1.8185
1.8185-1.8185	1.8185-1.8185	1.8185-1.8185

Forward premiums and discounts apply to the US dollar.

Source: Reuters, London, May 22, 1992.

1992-1993-1994, 1995-1996, 1997-1998, 1999-2000, 2001-2002, 2003-2004, 2005-2006, 2007-2008, 2009-2010, 2011-2012, 2013-2014, 2015-2016, 2017-2018, 2019-2020, 2021-2022, 2023-2024, 2025-2026, 2027-2028, 2029-2030, 2031-2032, 2033-2034, 2035-2036, 2037-2038, 2039-2040, 2041-2042, 2043-2044, 2045-2046, 2047-2048, 2049-2050, 2051-2052, 2053-2054, 2055-2056, 2057-2058, 2059-2060, 2061-2062, 2063-2064, 2065-2066, 2067-2068, 2069-2070, 2071-2072, 2073-2074, 2075-2076, 2077-2078, 2079-2080, 2081-2082, 2083-2084, 2085-2086, 2087-2088, 2089-2090, 2091-2092, 2093-2094, 2095-2096, 2097-2098, 2099-2100, 2101-2102, 2103-2104, 2105-2106, 2107-2108, 2109-2110, 2111-2112, 2113-2114, 2115-2116, 2117-2118, 2119-2120, 2121-2122, 2123-2124, 2125-2126, 2127-2128, 2129-2130, 2131-2132, 2133-2134, 2135-2136, 2137-2138, 2139-2140, 2141-2142, 2143-2144, 2145-2146, 2147-2148, 2149-2150, 2151-2152, 2153-2154, 2155-2156, 2157-2158, 2159-2160, 2161-2162, 2163-2164, 2165-2166, 2167-2168, 2169-2170, 2171-2172, 2173-2174, 2175-2176, 2177-2178, 2179-2180, 2181-2182, 2183-2184, 2185-2186, 2187-2188, 2189-2190, 2191-2192, 2193-2194, 2195-2196, 2197-2198, 2199-2200, 2201-2202, 2203-2204, 2205-2206, 2207-2208, 2209-2210, 2211-2212, 2213-2214, 2215-2216, 2217-2218, 2219-2220, 2221-2222, 2223-2224, 2225-2226, 2227-2228, 2229-2230, 2231-2232, 2233-2234, 2235-2236, 2237-2238, 2239-2240, 2241-2242, 2243-2244, 2245-2246, 2247-2248, 2249-2250, 2251-2252, 2253-2254, 2255-2256, 2257-2258, 2259-2260, 2261-2262, 2263-2264, 2265-2266, 2267-2268, 2269-2270, 2271-2272, 2273-2274, 2275-2276, 2277-2278, 2279-2280, 2281-2282, 2283-2284, 2285-2286, 2287-2288, 2289-2290, 2291-2292, 2293-2294, 2295-2296, 2297-2298, 2299-2300, 2301-2302, 2303-2304, 2305-2306, 2307-2308, 2309-2310, 2311-2312, 2313-2314, 2315-2316, 2317-2318, 2319-2320, 2321-2322, 2323-2324, 2325-2326, 2327-2328, 2329-2330, 2331-2332, 2333-2334, 2335-2336, 2337-2338, 2339-2340, 2341-2342, 2343-2344, 2345-2346, 2347-2348, 2349-2350, 2351-2352, 2353-2354, 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AIB Unit Trust Managers Limited (L00017)				
511 Securities and Underwriting	120	120	120	120
512 General Assets	114	114	114	114
513 General Equity	113	113	113	113
514 Corporate Euro	113	113	113	113
515 General Cash	113	113	113	113

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**NEW JERSEY**

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## AMERICA

## Equities wind down ahead of holiday

## Wall Street

AIDED by technical trading in stock futures, US equities posted modest gains yesterday as the markets wound down ahead of the long holiday weekend, writes Patrick Harrison in New York.

By 1 pm the Dow Jones Industrial Average was up 11.71 at 3,390.42. The more broadly based Standard & Poor's 500 had risen 2.04 to 414.64 by midsession, while the Amex composite was 0.45 higher at 352.06 and the Nasdaq composite 2.05 higher at 581.15. Turnover on the NYSE was 94m shares by 1 pm.

With the Treasury market shutting at 1 pm so that traders could leave for home early, trading in equities was listless for most of the morning.

Stocks were led higher by the futures markets, and held on to those gains in the wake of gains in bond prices.

The overall mood, however, remained subdued amid disappointment that the Federal Reserve chose not to cut interest rates this week. Share prices have been bid up recently in anticipation of an easing in policy and, now that it has not materialised, the chances of the market advancing much above 3,400 on the Dow have deteriorated, said analysts.

Among individual stocks, General Motors firmed 3/4 to 33.94 in turnover of 1.3m shares after Mr Robert Stempel, the chairman, said that GM was accelerating a restructuring of its unprofitable North American operations. Mr Stempel said that he expected productivity to improve by 7 per cent to 8 per cent per year as the restructuring takes effect.

McDonalds fell 3/4 to 44.6 in spite of encouraging comments at the annual meeting by the food chain's chairman, who said that the company was experiencing very positive

sales momentum in most areas of the world.

Raytheon rose 3/4 to 329.75 on the news that the aviation electronics and weapons group will be making staff cuts in the wake of the reductions in US defence budgets.

Rohr Industries slumped 1 1/4 to 111 1/4 in active trading after reporting a fiscal third quarter loss of \$1.42 a share, compared to the profit of 15 cents a share earned at the same stage a year ago.

Oklahoma Gas & Electric fell another 1 1/4 to 33.64 as investors reacted negatively to a statement from the company that its earnings were not sufficient to maintain the annual dividend.

Gottchalks fell 3/4 to 31.11 after the brokerage house Smith Barney downgraded the California-based retail department store chain stock from "buy" to "avoid" because of uncertainty generated by a criminal investigation into the company by the Internal Revenue Service.

In the same sector, Federated Department Stores firmed 3/4 to 31.24 after Salomon Brothers initiated coverage of the stock with an "outperform" rating.

## Canada

TORONTO was slightly higher at midday, although few trends had emerged in the market.

The TSE 300 gained 10.5 to 3,358.6 with advances leading declines by 337 to 206. Volume was 18.48m shares valued at \$214.4m. Medium-sized mining companies were among the most active issues.

## SOUTH AFRICA

JOHANNESBURG was steady as the market awaited a possible discount rate cut by the central bank. Industrials closed at another record high, up 10 to 4,611, while the overall index gained 4 to 3,666. The gold index put on 1 to 1,114.

## Frankfurt climbs after months of stagnation

David Waller says that the German equity market has taken this week's two big news items to its heart

At last, after months of stagnation, it has been a good week for the German equity market. The DAX index has climbed 4.5 per cent in the past five days.

The reason for this surge is that the rubbish has gone from the streets, and the headlines have improved - all of a sudden things seem to be going right for Germany again.

True, there is no sign that the Bundesbank is set to cut its rates at its next Council meeting, or that the government is going to be able to sort out its spending plans in the next week or two, or, indeed, that the level of productivity in the eastern part of Germany is set to come up to that of the west in a matter of months.

However, the public sector workers' strike of the past weeks - which seemed to be but an inconvenient and malodorous precursor to a more general breakdown in Germany's hitherto successful social-market economy - did not lead, as investors had feared, to a damaging strike by the metalworkers.

Instead, at midnight last Sunday, employers and employees reached a 21 month

deal which provided a 5.8 per cent increase this year and a 3.4 per cent rise next year. This was not as good as the Bundesbank might have liked, but better than the market expected and the cue for a 3 per cent spring in the DAX on Monday.

According to analysts, much of the buying then reflected traders' attempts to square "short" positions taken last week in anticipation of a vicious strike and a serious fall in the market. But as the week progressed, there was more good news and some genuine international and domestic investment buying.

As Mr Günter Kirchhoff of the Deutsche Bank's institutional investors' team in Düsseldorf quipped, the metalworkers' settlement suggested that "the much heralded German disease was little more than a viral infection". With a variation on the imagery, Mr Jürgen Röthig of BZW in Frankfurt said it proved that Germany "did not suffer from the English disease at all".

In more sober language, Mr Hans Peter Wodnick at James Capel in Frankfurt observed that a wage-price spiral - fears of which had inspired the

stock-market stagnation of recent weeks - was no longer on the cards.

On Tuesday, the country's 1.5m building workers fell into line, accepting a 5.8 per cent pay offer, thus stirring up interest in the construction sector to complement buying of carmakers, chemicals and engineering companies.

Further impetus came the same day when Daimler-Benz, Germany's largest industrial company, predicted that it would enjoy an "excellent result" for the current year. Mr Edzard Reuter, its chief executive, said that current year profits would be higher than last year's, in evidence that Daimler is set to turn the long-awaited profits corner after years of earnings stagnation.

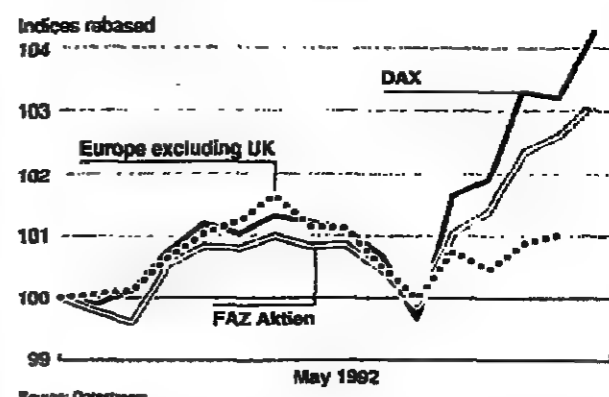
In addition, it emerged that AEG, the Daimler electricals subsidiary which has been a long-term drain on its parent's resources, is not set to burden Daimler with any losses this year. Thus on Wednesday the market was propelled still higher to 1,785.50, its highest level since August 1990, with volume surging to DM9.9bn

from DM7.2m the day before.

To cap the week, yesterday's money-supply figures were better than expected. Broad money as measured by M3 rose by 8.8 per cent in the year to April, after a revised 9.4 per cent increase for the previous month. This is still significantly higher than the Bundesbank's 5.5 to 5.6 per cent target range - but better than expectations of more than 9 per cent.

The news provided a filip to both bond and equity prices. The market is now alive with suggestions that the DAX is on course to reach its pre-Gulf, all-time high of 1,976.43 by the end of the year, perhaps sooner. However, Mr Mark Edmondson of Goldman Sachs in London is not alone in predicting that a target of 1,850 is more realistic, for the next three months at least, and that other sources are more attractive at present.

For, despite this week's outbreak of optimism, the future trend of share prices is more likely to be determined by anything else. Once they start to come down - or, rather, once investors are convinced that they are to be cut



Source: Datastream

in the not too distant future - the market is likely to take off. This week's developments are not in themselves enough to induce a policy shift from the Bundesbank. Commentators believe that the metalworkers' settlement was low enough to remove the possibility of another rise - but that it will not lead automatically to a cut. Mr Helmut Schlesinger, Bundesbank president, said on Monday night that the agreement followed a pattern of excessive awards in recent months.

Even if present inflation

rates dropped to between 3.5 to 4 per cent by the end of the year, from 4.5 per cent at present, that would still be too high, said Mr Schlesinger. And money supply was growing too rapidly, he cautioned. Thus it seems that the spectre of monetary rectitude will hover over the market for some months ahead although, as Mr Jochen Nuytamer of Schröder-Münchmeyer Henget puts it, the pay settlement at the beginning of the week makes it much more likely "that there will be a cut in rates - eventually".

## EUROPE

## Oils improve as Germany stimulates general activity

THE latest German news was a stimulus for most bourses, and some oils also made ground on the Opec ministers' meeting in Vienna, writes Our Markets Staff.

FRANKFURT rejoiced in the April M3 money supply figures and, after a 2.74 rise to 722.03 in the FAZ index at mid-session, the DAX closed at 1,785.50, its highest since the Gulf crisis began in August, 1990. Gains on the week were 3.1 and 4.5 per cent respectively. Turnover rose from DM5m to DM9.2m.

Among carmakers, attention turned to BMW which rose DM21.70 to DM614.50; Volkswagen and Daimler both outpaced the market, too, VW in spite of worries about short-term operating profits, and guarantees to finance sub-

sidaries in mid-week.

In steel, Mannesmann rose DM9.60 to DM306. This was chart-inspired, a broker said, since DM300 had been seen as a strong resistance level.

MILAN surmounted a bout of profit-taking to close higher again, the Comit index ending 5.37 higher at 493.78 on the day, up 4.5 per cent on the week. Fiat led again on speculation about further international alliances following its \$2bn accord with FSN of Poland, closing at 15,380 against 15,265 in the kerb on Thursday.

PARIS made a positive start to the June account, helped by the firm performance of oils, and by stronger bonds. The CAC-40 index advanced 28.29 to 2,045.12 for a gain of 1 per cent over the week. Turnover was some FF2.53bn.

FT-SE Eurotrack 100 - May 22										
Hourly changes										
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close			
1195.97	1195.89	1195.53	1197.38	1198.04	1197.83	1197.25	1197.48			
Day's High				1199.11		Day's Low			1195.04	
May 21	May 20		May 19		May 18		May 15			
1187.57	1187.82		1180.66		1184.41		1171.24			

Source: Reuters

Total and Elf both had good days as the Opec meeting appeared to be nearing an agreement on output. Total, which rose FF9.30 to FF380, also announced that it had signed an agreement with Russia to bring a new oil field on line. Elf was FF2.50 better at FF394.

Alcatel Alsthom rose FF9 to FF62. Dealers noted that this was a rebound after declines earlier this week, following

Alcatel's placement of 10m ADS in the US.

AMSTERDAM was firmer with the CBS Tendency index up 0.4 at 130.4 for a rise of 1.8 per cent on the week. Buehmann-Tetterode, a food performer this week, rose FI 2.50 to FI 52.50. The paper and packaging group pleased the market last week with first quarter results which suggested that it was well-placed for recovery. A number

of buy recommendations have been issued and foreign buying has been active.

Royal Dutch closed FI 1.10 firmer at FI 152.50 on expectations of a conclusion to the Opec ministers' meeting in Vienna.

Grolsch, the brewer, seemed to be benefiting from the hot weather as Heineken had done earlier in the week, rising FI 2.80 to FI 207.80.

Fokker had another active day but closed unchanged at FI 35.10 after seeing an intra-day high of FI 35.80. ZUBICH followed Frankfurt up, encouraged additionally by the fall from 5.0 to 4.3 per cent in the latest annual monthly consumer price inflation figures from the city of Basel. The SMI index closed 7.0 higher at 1,931.7, a gain of 0.6 per cent on the week.

STOCKHOLM saw foreign interest in Asea and Electrolux help to enliven an otherwise dull day. The Affarsvärlden index finished up 0.3 to 1,001.4 for a gain of 1.8 per cent on the week. Turnover was a moderate SKr518m from SKr731m on Thursday.

Asea and Electrolux B shares both gained SKr4, to SKr385 and SKr286 respectively.

BRUSSELS was firmer in fairly active trade. The Bel-30 index gained 1.92 to 1,215.78, for a 0.8 per cent rise on the week. Kredietbank was up Bfr35 to Bfr4.995 after reporting better-than-expected net profits for 1991/92. OSLO recovered on higher oil prices. The all-share index advanced 3.37 to 451.93 in turnover of Nkr735.3m.

## ASIA PACIFIC

## Nikkei loses 2.5% on lower bond prices

## Tokyo

THE weakening yen and lower bond prices prompted index-linked selling in Tokyo, the most active issue of the day, was unchanged at Y1,130 and Ebara, the industrial water pump maker, lost Y30 to Y1,530.

Bio-technology and Aids related issues also fell, with Okamoto Industries down Y30 to Y1,340 and Meiji Milk Products losing Y15 to Y833.

Issues with poor results for the last fiscal year and weak forecasts for the current year to March 1993 declined. Fancu, the industrial robot maker, fell Y210 to Y4,390. Reports that the company's pre-tax profits for the current year to March 1993 will plunge by 29 per cent discouraged investors.

Kajima, the construction company, led the decline in that sector, falling Y10 to Y1,050. The company expects a 20 per cent fall in pre-tax profits to Y1,050m.

Sony, which announced a operating loss for the first time

since its listing on the Tokyo Stock Exchange in 1968, fell Y80 to Y4,280.

Daiichi, the supermarket chain, rose Y28 to Y941 after reporting a 1,000. It announced that it would acquire over 30 per cent of Recruit, the publishing and information company which was at the centre of a stock bribery scandal in the late 1990s.

In Osaka, the OSE average retreated 360.44 to 20,891.41 in volume of 12.5m shares.

## Roundup

FINANCIALS lifted Seoul and Taiwan yesterday, while Bangkok dropped on profit-taking. TAIWAN moved on Thursday's approval for the listed China Trust to transform to a commercial bank on July 2. The weighted index registered its sixth consecutive gain to close 63.57 better at 4,023.94, 7.7 per cent higher on the week.

HONG KONG's unexpected decision to cut prime rates by one percentage point from Monday came too late to affect trading and the Hang Seng

index closed down 5.93 to 5,899.98 for a five-day gain of 2.7 per cent. In London, however, Hong Kong equities advanced some 2 per cent.

SEATTLE's composite index rose by 0.05 to 862.88, but trading remained slow and the index ended 1.1 per cent lower on the week. Two heavyweights, Pohang Iron and Korea Electric, rose Won400 to Won1,900 and Won 500 to Won12,400 on news that the government will allow foreign investors to buy their shares.

BANGKOK, still worried in the aftermath of civil strife, fell 2.7 per cent on the day, and 2.0 per cent on the week, the SET index ending 20.16 lower at 718.51.

MANILA consolidated, the composite index rising 2.69 to 1,379.69, 3.1 per cent higher on the week.

AUSTRALIA continued to digest the A\$1.70n loss at Westpac Banking as the All Ordinaries index rose 1.5 to 1,684.5, up 1.4 per cent on the week.

BOMBAY finished broadly lower to 3,438.07.

## LONDON SHARE SERVICE

BRITISH FUNDS									
Name	Price	1992	1991	1990	1989	1988	1987	1986	1985
British 100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
British 200	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
British 300	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00
British 400	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
British 500	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
British 600	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00
British 700	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00
British 800	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00
British 900	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00
British 1000	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00

OTHER FIXED INTEREST									
Name	Price	1992	1991	1990	1989	1988	1987	1986	1985
British 100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
British 200	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
British 300	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00
British 400	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
British 500	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
British 600	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00
British 700	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00
British 800	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00
British 900	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00
British 1000	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00

## FT-ACTUARIES WORLD INDICES

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REGIONAL AND NATIONAL MARKETS		THURSDAY MAY 21 1992								WEDNESDAY MAY 20 1992				DOLLAR INDEX		
Figures in parentheses show number of times of stock	US Dollar Index	Day's Change %	Point Starting Index	YTD Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yr	US Dollar Index	Point Starting Index	YTD Index	DM Index	Local Currency Index	1992 High	1992 Low	Year Ago (approx)
Australia (69)	162.52	+0.3	124.42	125.53	127.99	133.76	+0.0	4.11	152.04	123.17	124.80	126.83	133.73	153.68	140.94	140
Austria (19)	188.24	-2.1	137.24	138.47	141.17	141.25	-1.2	2.07	171.83	139.21	140.83	143.12	142.90	165.70	162.42	194
Belgium (46)	142.27	-2.4	116.05	117.06	118.38	118.48	-1.7	5.32	145.84	118.25	119.41	126.16	119.58	148.19	139.87	134
Canada (115)	128.45	-0.7	103.15	104.06	105.10	105.51	-0.7	3.34	127.40	103.19	104.51	106.46	110.24	144.12	129.60	168
Denmark (89)	186.38	-1.0	192.45	194.17	197.97	200.15	-0.1	1.89	238.34	195.33	196.38	200.94	197.59	244.13	228.81	214
Finland (15)	79.36	-0.2	64.74	65.32	66.50	72.98	+1.0	1.98	79.49	64.40	65.15	68.25	72.29	88.80	73.64	113
France (104)	184.37	-1.3	134.08	135.27	137.91	139.94	-0.5	3.36	185.48	134.98	136.43	138.60	140.70	198.75	148.06	135
Germany (89)	123.38	-0.5	100.79	101.70	103.68	103.68	+0.3	2.23	124.15	100.59	101.76	103.40	103.40	124.15	114.57	122
Hong Kong (80)	244.43	+2.0	199.58	201.18	205.11	242.59	+2.0	3.37	238.55	191.39	193.46	205.03	203.94	251.71	217.12	182
Ireland (16)	161.05	-1.1	131.37	132.55	135.14	137.20	-0.3	3.86	162.84	131.69	133.46	135.03	137.56	173.71	161.75	152
Italy (78)	71.18	+2.4	56.08	56.58	58.73	64.04	+3.3	3.27	68.51	55.32	56.97	57.89	62.58	80.86	59.38	77
Japan (473)	104.33	-0.6	85.59	85.36	85.06	85.36	-0.2	1.88	118.80	85.56	85.94	87.86	86.54	100.95	88.70	137
Malaysia (69)	236.59	-0.4	192.59	194.71	198.52	230.03	-0.3	2.82	237.76	192.53	194.75	197.82	230.70	250.10	212.49	235
Mexico (18)	1616.69	-0.1	1317.97	1329.74	1355.73	1463.25	+0.0	1.04	1616.56	1317.97	1329.74	1355.73	1463.25	1616.69	1478.92	235
Netherlands (25)	158.13	-0.6	289.99	290.14	291.33	291.14	+0.0	4.28	159.29	192.05	193.55	192.68	193.01	199.81	181.22	198
New Zealand (14)	46.82	+0.3	38.19	38.54	39.29	46.55	+0.1	5.49	46.85	37.80	38.24	38.86	45.51	48.52	49.01	62
Norway (23)	185.06	-1.5	150.89	152.31	155.29	158.26	-0.6	1.99	187.89	152.21	153.98	156.45	156.25	182.85	181.28	202
Portugal (1)	246.72	-0.5	200.93	202.72	205.89	185.87	-0.5	2.00	218.76	204.89	217.86	161.89	161.89	236.43	192.76	203
Singapore (38)	218.37	-0.5	179.83	179.41	181.08	183.08	+0.3	2.73	247.02	200.61	202.83	209.23	205.65	253.03	205.16	215
South Africa (81)	246.72	-0.5	179.83	179.41	181.08	183.08	+0.3	2.73	247.02	200.61	202.83	209.23	205.65	253.03	205.16	215
Spain (10)	159.18	-0.7	126.55	131.01	133.57	121.65	+0.4	4.96	160.05	124.62	131.17	133.20	121.10	160.85	145.86	162
Sweden (25)	186.38	-1.0	161.81	163.25	166.45	175.73	+0.2	2.66	199.66	161.76	163.63	166.29	170.49	198.93	173.03	184
Switzerland (60)	108.10	-1.0	85.74	85.51	86.21	96.57	-0.3	2.22	102.81	86.05	87.06	88.47	94.87	109.27	92.59	94
Taiwan (10)	197.99	-1.0	161.50	162.58	165.12	161.50	-0.3	1.62	193.05	160.55	163.91	167.97	167.97	197.99	185.94	194
United Kingdom (228)	169.39	-0.7	137.57	138.57	140.57	140.57	-0.7	1.89	169.39	137.57	138.57	140.57	141.18	169.50	171.95	160
USA (522)	169.39	-0.7	137.57	138.57	140.57	140.57	-0.7	1.89	169.39	137.57	138.57	140.57	141.18	169.50	171.95	160
Australia (789)	156.16	-0.8	129.57	127.70	130.21	125.22	-0.1	3.80	156.44	126.74	129.21	130.30	125.32	156.84	130.91	130
Norlic (98)	181.21	-1.0	149.24	150.25	151.25	148.48	+0.0	1.16	182.84	148.13	149.85	152.49	149.49	185.52	168.86	181
Norlic Pacific (717)	181.21	-1.0	149.24	150.25	151.25	148.48	+0.0	1.16	182.84	148.13	149.85	152.49	149.49	185.52	168.86	181
Norlic Pacific (1506)	128.94	-0.6	105.18	105.11	106.19	107.57	-0.7	2.53	129.74	105.11	106.31	108.05	107.45	145.21	118.70	139
Norlic Pacific (837)	165.76	-0.7	135.21	136.44	138.19	164.36	-0.7	2.59	168.76	136.18	136.76	138.99	165.46	169.69	152.80	150
Europe Ex. UK (561)	129.74	-0.7	105.88	106.84	108.94	110.63	+0.1	3.17	130.65	105.88	107.09	108.99	108.99	145.15	114.00	142
Pacific Ex. UK (344)	129.74	-0.7	105.88	106.84	108.94	110.63	+0.1	3.17	130.65	105.88	107.09	108.99	108.99	145.15	114.00	142
Pacific Ex. UK (1700)	129.74	-0.7	105.88	106.84	108.94	110.63	+0.1	3.17	130.65	105.88	107.09	108.99	108.99	145.15	114.00	142
World Ex. UK (1994)	137.49	-0.6	106.96	107.62	109.03	109.79	-0.7	2.54	131.92	106.96	108.12	109.68	108.98	145.91	114.00	140
World Ex. So. Af. (2161)	142.01	-0.6	112.15	113.18	115.38	124.47	-0.3	2.45	138.28	112.03	113.33	115.18	124.86	150.68	127.21	140
World Ex. So. Af. (2161)	142.01	-0.6	112.15	113.18	115.38	124.47	-0.3	2.45	138.28	112.03	113.33	115.18	124.86	150.68	127.21	140
World Ex. Japan (7748)	169.84	-0.8	133.73	134.93	137.59	151.79	-0.3	3.21	164.96	133.95	135.21	137.62	132.31	166.06	150.06	147
The World Index (2222)	142.70	-0.6	116.40	117.43	119.75	127.92	-0.3	2.71	143.60	116.40	117.43	119.75	127.92	152.70	130.26	143

**LONDON SHARE SERVICE**

	Price	% Chg	High
10.0 Zoro Oak 2002	238 1/4	-	238 1/4
6.7 Clunker Durr	105	-	105
17.8 Inc	200	-	193
4.1 Corp Cpn NY	235	-	235
16.5 Multifamily Exms Vols.	85	-	85
14.5 Warrants	30	-	30
Finabury Growth	57 1/2	-	57 1/2
Finabury Smit Co's	115	-	115
15.8 Finabury Tst	105	-	105
63.7 A	104	-	104
18.4 Multifam Investd	85 1/2	-	85 1/2
Warrants	7 1/2	-	7 1/2

[illegible]

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California Amer.	26 1/2	27 1/2	28 1/2	29 1/2	30 1/2	31 1/2	32 1/2	33 1/2	34 1/2	35 1/2	36 1/2	37 1/2	38 1/2	39 1/2	40 1/2	41 1/2	42 1/2	43 1/2	44 1/2	45 1/2	46 1/2	47 1/2	48 1/2	49 1/2	50 1/2	51 1/2	52 1/2	53 1/2	54 1/2	55 1/2	56 1/2	57 1/2	58 1/2	59 1/2	60 1/2	61 1/2	62 1/2	63 1/2	64 1/2	65 1/2	66 1/2	67 1/2	68 1/2	69 1/2	70 1/2	71 1/2	72 1/2	73 1/2	74 1/2	75 1/2	76 1/2	77 1/2	78 1/2	79 1/2	80 1/2	81 1/2	82 1/2	83 1/2	84 1/2	85 1/2	86 1/2	87 1/2	88 1/2	89 1/2	90 1/2	91 1/2	92 1/2	93 1/2	94 1/2	95 1/2	96 1/2	97 1/2	98 1/2	99 1/2	100 1/2	101 1/2	102 1/2	103 1/2	104 1/2	105 1/2	106 1/2	107 1/2	108 1/2	109 1/2	110 1/2	111 1/2	112 1/2	113 1/2	114 1/2	115 1/2	116 1/2	117 1/2	118 1/2	119 1/2	120 1/2	121 1/2	122 1/2	123 1/2	124 1/2	125 1/2	126 1/2	127 1/2	128 1/2	129 1/2	130 1/2	131 1/2	132 1/2	133 1/2	134 1/2	135 1/2	136 1/2	137 1/2	138 1/2	139 1/2	140 1/2	141 1/2	142 1/2	143 1/2	144 1/2	145 1/2	146 1/2	147 1/2	148 1/2	149 1/2	150 1/2	151 1/2	152 1/2	153 1/2	154 1/2	155 1/2	156 1/2	157 1/2	158 1/2	159 1/2	160 1/2	161 1/2	162 1/2	163 1/2	164 1/2	165 1/2	166 1/2	167 1/2	168 1/2	169 1/2	170 1/2	171 1/2	172 1/2	173 1/2	174 1/2	175 1/2	176 1/2	177 1/2	178 1/2	179 1/2	180 1/2	181 1/2	182 1/2	183 1/2	184 1/2	185 1/2	186 1/2	187 1/2	188 1/2	189 1/2	190 1/2	191 1/2	192 1/2	193 1/2	194 1/2	195 1/2	196 1/2	197 1/2	198 1/2	199 1/2	200 1/2	201 1/2	202 1/2	203 1/2	204 1/2	205 1/2	206 1/2	207 1/2	208 1/2	209 1/2	210 1/2	211 1/2	212 1/2	213 1/2	214 1/2	215 1/2	216 1/2	217 1/2	218 1/2	219 1/2	220 1/2	221 1/2	222 1/2	223 1/2	224 1/2	225 1/2	226 1/2	227 1/2	228 1/2	229 1/2	230 1/2	231 1/2	232 1/2	233 1/2	234 1/2	235 1/2	236 1/2	237 1/2	238 1/2	239 1/2	240 1/2	241 1/2	242 1/2	243 1/2	244 1/2	245 1/2	246 1/2	247 1/2	248 1/2	249 1/2	250 1/2	251 1/2	252 1/2	253 1/2	254 1/2	255 1/2	256 1/2	257 1/2	258 1/2	259 1/2	260 1/2	261 1/2	262 1/2	263 1/2	264 1/2	265 1/2	266 1/2	267 1/2	268 1/2	269 1/2	270 1/2	271 1/2	272 1/2	273 1/2	274 1/2	275 1/2	276 1/2	277 1/2	278 1/2	279 1/2	280 1/2	281 1/2	282 1/2	283 1/2	284 1/2	285 1/2	286 1/2	287 1/2	288 1/2	289 1/2	290 1/2	291 1/2	292 1/2	293 1/2	294 1/2	295 1/2	296 1/2	297 1/2	298 1/2	299 1/2	300 1/2	301 1/2	302 1/2	303 1/2	304 1/2	305 1/2	306 1/2	307 1/2	308 1/2	309 1/2	310 1/2	311 1/2	312 1/2	313 1/2	314 1/2	315 1/2	316 1/2	317 1/2	318 1/2	319 1/2	320 1/2	321 1/2	322 1/2	323 1/2	324 1/2	325 1/2	326 1/2	327 1/2	328 1/2	329 1/2	330 1/2	331 1/2	332 1/2	333 1/2	334 1/2	335 1/2	336 1/2	337 1/2	338 1/2	339 1/2	340 1/2	341 1/2	342 1/2	343 1/2	344 1/2	345 1/2	346 1/2	347 1/2	348 1/2	349 1/2	350 1/2	351 1/2	352 1/2	353 1/2	354 1/2	355 1/2	356 1/2	357 1/2	358 1/2	359 1/2	360 1/2	361 1/2	362 1/2	363 1/2	364 1/2	365 1/2	366 1/2	367 1/2	368 1/2	369 1/2	370 1/2	371 1/2	372 1/2	373 1/2	374 1/2	375 1/2	376 1/2	377 1/2	378 1/2	379 1/2	380 1/2	381 1/2	382 1/2	383 1/2	384 1/2	385 1/2	386 1/2	387 1/2	388 1/2	389 1/2	390 1/2	391 1/2	392 1/2	393 1/2	394 1/2	395 1/2	396 1/2	397 1/2	398 1/2	399 1/2	400 1/2	401 1/2	402 1/2	403 1/2	404 1/2	405 1/2	406 1/2	407 1/2	408 1/2	409 1/2	410 1/2	411 1/2	412 1/2	413 1/2	414 1/2	415 1/2	416 1/2	417 1/2	418 1/2	419 1/2	420 1/2	421 1/2	422 1/2	423 1/2	424 1/2	425 1/2	426 1/2	427 1/2	428 1/2	429 1/2	430 1/2	431 1/2	432 1/2	433 1/2	434 1/2	435 1/2	436 1/2	437 1/2	438 1/2	439 1/2	440 1/2	441 1/2	442 1/2	443 1/2	444 1/2	445 1/2	446 1/2	447 1/2	448 1/2	449 1/2	450 1/2	451 1/2	452 1/2	453 1/2	454 1/2	455 1/2	456 1/2	457 1/2	458 1/2	459 1/2	460 1/2	461 1/2	462 1/2	463 1/2	464 1/2	465 1/2	466 1/2	467 1/2	468 1/2	469 1/2	470 1/2	471 1/2	472 1/2	473 1/2	474 1/2	475 1/2	476 1/2	477 1/2	478 1/2	479 1/2	480 1/2	481 1/2	482 1/2	483 1/2	484 1/2	485 1/2	486 1/2	487 1/2	488 1/2	489 1/2	490 1/2	491 1/2	492 1/2	493 1/2	494 1/2	495 1/2	496 1/2	497 1/2	498 1/2	499 1/2	500 1/2	501 1/2	502 1/2	503 1/2	504 1/2	505 1/2	506 1/2	507 1/2	508 1/2	509 1/2	510 1/2	511 1/2	512 1/2	513 1/2	514 1/2	515 1/2	516 1/2	517 1/2	518 1/2	519 1/2	520 1/2	521 1/2	522 1/2	523 1/2	524 1/2	525 1/2	526 1/2	527 1/2	528 1/2	529 1/2	530 1/2	531 1/2	532 1/2	533 1/2	534 1/2	535 1/2	536 1/2	537 1/2	538 1/2	539 1/2	540 1/2	541 1/2	542 1/2	543 1/2	544 1/2	545 1/2	546 1/2	547 1/2	548 1/2	549 1/2	550 1/2	551 1/2	552 1/2	553 1/2	554 1/2	555 1/2	556 1/2	557 1/2	558 1/2	559 1/2	560 1/2	561 1/2	562 1/2	563 1/2	564 1/2	565 1/2	566 1/2	567 1/2	568 1/2	569 1/2	570 1/2	571 1/2	572 1/2	573 1/2	574 1/2	575 1/2	576 1/2	577 1/2	578 1/2	579 1/2	580 1/2	581 1/2	582 1/2	583 1/2	584 1/2	585 1/2	586 1/2	587 1/2	588 1/2	589 1/2	590 1/2	591 1/2	592 1/2	593 1/2	594 1/2	595 1/2	596 1/2	597 1/2	598 1/2	599 1/2	600 1/2	601 1/2	602 1/2	603 1/2	604 1/2	605 1/2	606 1/2	607 1/2	608 1/2	609 1/2	610 1/2	611 1/2	612 1/2	613 1/2	614 1/2	615 1/2	616 1/2	617 1/2	618 1/2	619 1/2	620 1/2	621 1/2	622 1/2	623 1/2	624 1/2	625 1/2	626 1/2	627 1/2	628 1/2	629 1/2	630 1/2	631 1/2	632 1/2	633 1/2	634 1/2	635 1/2	636 1/2	637 1/2	638 1/2	639 1/2	640 1/2	641 1/2	642 1/2	643 1/2	644 1/2	645 1/2	646 1/2	647 1/2	648 1/2	649 1/2	650 1/2	651 1/2	652 1/2	653 1/2	654 1/2	655 1/2	656 1/2	657 1/2	658 1/2	659 1/2	660 1/2	661 1/2	662 1/2	663 1/2	664 1/2	665 1/2	666 1/2	667 1/2	668 1/2	669 1/2	670 1/2	671 1/2	672 1/2	673 1/2	674 1/2	675 1/2	676 1/2	677 1/2	678 1/2	679 1/2	680 1/2	681 1/2	682 1/2	683 1/2	684 1/2	685 1/2	686 1/2	687 1/2	688 1/2	689 1/2	690 1/2	691 1/2	692 1/2	693 1/2	694 1/2	695 1/2	696 1/2	697 1/2	698 1/2	699 1/2	700 1/2	701 1/2	702 1/2	703 1/2	704 1/2	705 1/2	706 1/2	707 1/2	708 1/2	709 1/2	710 1/2	711 1/2	712 1/2	713 1/2	714 1/2	715 1/2	716 1/2	717 1/2	718 1/2	719 1/2	720 1/2	721 1/2	722 1/2	723 1/2	724 1/2	725 1/2	726 1/2	727 1/2	728 1/2	729 1/2	730 1/2	731 1/2	732 1/2	733 1/2	734 1/2	735 1/2	736 1/2	737 1/2	738 1/2	739 1/2	740 1/2	741 1/2	742 1/2	743 1/2	744 1/2	745 1/2	746 1/2	747 1/2	748 1/2	749 1/2	750 1/2	751 1/2	752 1/2	753 1/2	754 1/2	755 1/2	756 1/2	757 1/2	758 1/2	759 1/2	760 1/2	761 1/2	762 1/2	763 1/2	764 1/2	765 1/2	766 1/2	767 1/2	768 1/2	769 1/2	770 1/2	771 1/2	772 1/2	773 1/2	774 1/2	775 1/2	776 1/2	777 1/2	778 1/2	779 1/2	780 1/2	781 1/2	782 1/2	783 1/2	784 1/2	785 1/2	786 1/2	787 1/2	788 1/2	789 1/2	790 1/2	791 1/2	792 1/2	793 1/2	794 1/2	795 1/2	796 1/2	797 1/2	798 1/2	799 1/2	800 1/2	801 1/2	802 1/2	803 1/2	804 1/2	805 1/2	806 1/2	807 1/2	808 1/2	809 1/2	810 1/2	811 1/2	812 1/2	813 1/2	814 1/2	815 1/2	816 1/2	817 1/2	818 1/2	819 1/2	820 1/2	821 1/2	822 1/2	823 1/2	824 1/2	825 1/2	826 1/2	827 1/2	828 1/2	829 1/2	830 1/2	831 1/2	832 1/2	833 1/2	834 1/2	835 1/2	836 1/2	837 1/2	838 1/2	839 1/2	840 1/2	841 1/2	842 1/2	843 1/2	844 1/2	845 1/2	846 1/2	847 1/2	848 1/2	849 1/2	850 1/2	851 1/2	852 1/2	853 1/2	854 1/2	855 1/2	856 1/2	857 1/2	858 1/2	859 1/2	860 1/2	861 1/2	862 1/2	863 1/2	864 1/2	865 1/2	866 1/2	867 1/2	868 1/2	869 1/2	870 1/2	871 1/2	872 1/2	873 1/2	874 1/2	875 1/2	876 1/2	877 1/2	878 1/2	879 1/2	880 1/2	881 1/2	882 1/2	883 1/2	884 1/2	885 1/2	886 1/2	887 1/2	888 1/2	889 1/2	890 1/2	891 1/2	892 1/2	893 1/2	894 1/2	895 1/2	896 1/2	897 1/2	898 1/2	899 1/2	900 1/2	901 1/2	902 1/2	903 1/2	904 1/2	905 1/2	906 1/2	907 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**SINCE JANUARY**

5230	178	4.3	247.9	1.7
5240	463	3.8	259.2	2.7
5250	463	3.7	271	2.7
5260	7340	1396	2469.9	25.6
5270	101	91	30.2	2.2
5280	61	91	6.4	0.6
5290	61	91	6.4	0.6
5300	61	91	6.4	0.6
5310	61	91	6.4	0.6
5320	61	91	6.4	0.6
5330	61	91	6.4	0.6
5340	61	91	6.4	0.6
5350	61	91	6.4	0.6
5360	61	91	6.4	0.6
5370	61	91	6.4	0.6
5380	61	91	6.4	0.6
5390	61	91	6.4	0.6
5400	61	91	6.4	0.6
5410	61	91	6.4	0.6
5420	61	91	6.4	0.6
5430	61	91	6.4	0.6
5440	61	91	6.4	0.6
5450	61	91	6.4	0.6
5460	61	91	6.4	0.6
5470	61	91	6.4	0.6
5480	61	91	6.4	0.6
5490	61	91	6.4	0.6
5500	61	91	6.4	0.6
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5570	61	91	6.4	0.6
5580	61	91	6.4	0.6
5590	61	91	6.4	0.6
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5640	61	91	6.4	0.6
5650	61	91	6.4	0.6
5660	61	91	6.4	0.6
5670	61	91	6.4	0.6
5680	61	91	6.4	0.6
5690	61	91	6.4	0.6
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5720	61	91	6.4	0.6
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5760	61	91	6.4	0.6
5770	61	91	6.4	0.6
5780	61	91	6.4	0.6
5790	61	91	6.4	0.6
5800	61	91	6.4	0.6
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5820	61	91	6.4	0.6
5830	61	91	6.4	0.6
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5850	61	91	6.4	0.6
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5870	61	91	6.4	0.6
5880	61	91	6.4	0.6
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5930	61	91	6.4	0.6
5940	61	91	6.4	0.6
5950	61	91	6.4	0.6
5960	61	91	6.4	0.6
5970	61	91	6.4	0.6
5980	61	91	6.4	0.6
5990	61	91	6.4	0.6
6000	61	91	6.4	0.6

170	216	20	0.2	27.7
171	216	20	0.2	27.7
172	216	20	0.2	27.7
173	216	20	0.2	27.7
174	216	20	0.2	27.7
175	216	20	0.2	27.7
176	216	20	0.2	27.7
177	216	20	0.2	27.7
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182	216	20	0.2	27.7
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254	216	20	0.2	27.7
255	216	20	0.2	27.7
256	216	20	0.2	27.7
257	216	20	0.2	27.7
258	216	20	0.2	27.7
259	216	20	0.2	27.7
260	216	20	0.2	27.7</

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The half-price ticket booth and discount vouchers are part of a more aggressive approach to marketing by West End theatres

## London's West End theatre managers seek to woo a wider audience Ticket discounts move centre stage

By Christopher Price

THE QUESTION every full-fare airline passenger dreads - how much did you pay for your ticket? - could soon echo in London's theatres. Ticket discounting has moved centre stage as West End theatre managers try to woo a wider audience.

More than one in five theatre-goers already pays less than the face value of tickets, according to a recent survey by the Society of West End Theatres (Swet). The trend is likely to accelerate. American Airlines has offered to develop software for Swet based on its own booking system. It would include a variety of discounts on tickets to

encourage the non-theatre-goer. Theatre box offices and ticket agencies have already installed computerised booking systems. Promotional packages are targeting reluctant spectators and a bigger variety of ticket discounts is being offered.

While the most popular shows, such as Phantom of the Opera and Miss Saigon, continue to attract the attention of tourists, most theatres find it difficult to fill performances. "Discounting has definitely become more prominent," says Ms Susan Whiddington, development officer at Swet. "But rather than a sign that audiences are falling, they show that theatre producers are getting more

aggressive in their marketing." Swet is planning a campaign aimed at London rail commuters which will include discount inducements. The half-price ticket booth in Leicester Square - where discounted tickets for selected shows are sold on the day of the performance - has recently moved from a pre-lab hut opened 11 years ago to a permanent building. The Leicester Square operation has attracted competition from agencies and individual theatres.

Many theatres offer standby tickets, often to groups such as students and pensioners, which are sold at half price on the day of performance. Some are offering special-price days.

In some London restaurants, customers find vouchers offering two tickets for the price of one. Ms Gillian Guy, the promoter responsible, says: "Old theatre-goers will always be theatre-goers. What we are trying to do is tap those who think it is too expensive."

Swet says attendances were 12 per cent higher in the first quarter of 1992 than in the same period last year, when theatres were badly hit by the effects of the Gulf war. Mr Mark Watney, Swet's marketing manager, says: "Last year showed we can't rely on the US or long-haul market any more. That's why we have to concentrate on developing and cultivating the home market."

## Birt's strategy to take BBC up-market wins approval

By Raymond Snoddy

MR JOHN BIRT, deputy director general of the BBC, has won agreement for his strategy to redefine the programme output of the corporation and take it up-market.

The aim is to ensure the BBC provides something unique for its audience and does not compete head-on with ITV and the growing number of satellite channels. The decision was taken at this week's conference of the BBC's governors and top management at Lucknam Park hotel near Bath which ended yesterday.

The approval for the general overall strategy will have poten-

tially radical implications for many parts of the corporation from light entertainment television to Radios 1 and 2.

The governors have not decided to turn the BBC into an elitist broadcasting ghetto producing only worthy and serious programmes. All present programme types including comedy, popular drama and soap operas will continue. In comedy there will be greater emphasis on Victoria Wood, say, than Les Dawson.

The future strategy of the BBC will be to justify the continuation of the licence fee by offering something to all sections of society while emphasising the corporation's distinctive public service

role. The conference set the strategy but did not take specific decisions on whether Radio 5 is to survive. Detailed policy proposals will be drawn up between now and the autumn.

At a dinner on Thursday evening, Mr David Mellor, national heritage secretary, said he planned to publish a green paper in September. The BBC intends to wait until it has been published and its contents absorbed before coming up with a detailed blueprint for its own future.

The BBC's Royal Charter runs out at the end of 1996.

## CBI hopeful

Continued from Page 1

recovery, it said the pre-recession level of economic activity would only be attained by the third quarter of next year.

Yesterday's worse-than-expected GDP figures and tentatively upbeat outlook from the CBI came at the end of a week of similarly mixed economic statistics. News early in the week of the first quarterly increase in manufacturing output since the start of the recession was followed by mildly disappointing retail sales figures for April.

On Thursday, a Bank of England report that bank and building society lending rose a seasonally adjusted £5.1bn last month raised hopes.

Mr Gordon Brown, Labour's trade spokesman, said yesterday's figures were "grim".

## US and EC prepare Serbian sanctions

By Michael Littlejohns in New York and Laura Silber in Belgrade

THE US and the European Community were yesterday preparing to adopt diplomatic and economic sanctions to force Serbia to end the fighting in Bosnia-Herzegovina and withdraw its troops from the former Yugoslav republic.

The US said in a memorandum sent to EC governments that it was "appalled by the actions of the Yugoslav national army and the Serbian leadership in Belgrade". It would therefore shortly expect Yugoslav military attaches from Washington and close two Yugoslav consulates, a measure matched by the withdrawal of Washington's own military attaches and the closure of two US consulates in Yugoslavia.

These moves follow the recall

of all EC ambassadors from the Serbian capital and the termination by the US this week of the landing rights of JAT, the Yugoslav state airline now run by Serbia and its ally Montenegro.

Mr Gianni de Michelis, Italy's foreign minister, said the EC would approve further economic sanctions against Serbia "in a matter of hours or days" and that diplomatic pressures could eventually lead to Belgrade's exclusion from the UN.

In a report due to be discussed by EC foreign ministers in Lisbon at the weekend, the European Commission has recommended an embargo on Serbian and Montenegrin exports and a freezing of the assets in the International Monetary Fund.

Emphasising that more than half of Serbian and Montenegrin exports in 1991 went to the EC,

the report said an EC embargo would have an important impact even if it was not backed by Serbia's other trading partners.

The report was much more pessimistic, however, about the likely impact of an oil embargo. Such an embargo would have to be supported by the two republics' leading suppliers - Russia, China, Iran and Romania.

The extent of Belgrade's isolation was underlined by the admission yesterday of the three former Yugoslav republics of Croatia, Slovenia and Bosnia-Herzegovina to the UN. In his welcoming address, Mr Samir Stijakovic of Saudi Arabia, the UN Assembly president, said their admission was "an affirmation by the international community of its commitment to safeguard the independence, sovereignty and territorial integrity of each of these new member states".

The UN High Commissioner for Refugees said yesterday it was temporarily suspending operations in Bosnia, pending firm Serb assurances that it could conduct its work without hindrance and in safety.

Meanwhile, Germany opened its frontiers to children and sick and wounded from Bosnia-Herzegovina, and urged other western European countries to accept more refugees.

In Sarajevo, Mr Alija Izetbegovic, the Muslim president of Bosnia, said he could not attend EC-sponsored talks in Lisbon this weekend because he was trapped in the besieged city. Serb irregulars continued to fire grenades and mortars on the capital from the surrounding hills. However, the Serb-led federal army was reported to have agreed to evacuate its four barracks in Sarajevo.

## THE LEX COLUMN

# Competition for Midland

It would be easy to dismiss Lloyds' hope of acquiring Midland as forlorn. Brussels has cleared the rival suit from the Hongkong Bank and Mr Michael Heseltine yesterday referred the Lloyds proposal to the Monopolies and Mergers Commission. Still, it is too early to write off the UK clearer's chances. Lloyds must have always known that referral was probable. Its determination to stay in the fight suggests it reckons to stand a good chance of winning the MMC debate.

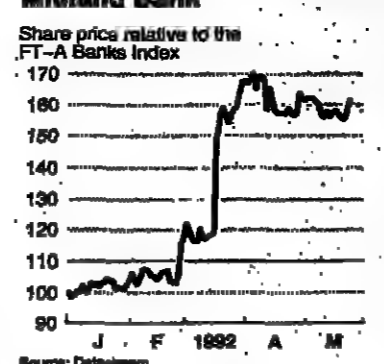
Indeed, the competition issues are not as clear as many in the Hongkong Bank camp suppose. The bid is unlikely to be disallowed simply on the basis of a concentration of branches in West Glamorgan, Gloucestershire and Warwickshire. The MMC is not compelled to give a straight answer. Lloyds may decide to accept any conditions it imposes. Other banks are already quietly expressing interest in acquiring Midland branches. Lloyds acknowledges possible problems in the small business sector, but here it is clearly willing to meet the requirements of the competition authorities.

Midland investors must thus allow for the possibility that an offer from Lloyds will eventually become firm. That will make things difficult for HSBC. The objections to its offer - that large banking conglomerates rarely perform well and that part of the price will be paid in loan stock of uncertain liquidity - still hold.

HSBC will almost certainly have to consider improving its offer by providing an underwritten cash alternative to the loan stock. But it cannot easily increase it. The dilution could hit its own share price, wiping out any extra value it tried to create. Lloyds is not yet condemned to look elsewhere, however much this might disappoint investors who have pushed up the Royal Bank of Scotland by 8 per cent this month in anticipation of it becoming an alternative target.

FT-SE Index: 2715.0 (+13.0)

### Midland Bank



night's findings of the Confederation of British Industry's latest monthly trends survey, which may have contributed to a generally firm tone in equities before the close. Total order books are still below what respondents consider normal, but they are at their best level since August 1990, and export orders are at their best since October 1990. The survey evidence is not definitive, but more such news will help investors convert bullish instincts into substantial buying orders. For the moment there remains a nagging feeling that there have been false starts before.

### Germany

There was relief all round yesterday that German money supply grew at an annualised rate of just 8.8 per cent in April. That may be well below market expectations, and enough to lay to rest any lingering fears of a Bundesbank rate increase. But it is still far too early to bring forward any expectations for the timing of a cut.

The Bundesbank's action in draining funds from the market as call money slipped yesterday morning was a reminder that money supply performance is still bad. Granted, the figure is liable to distortion, but even the new lower rate of growth is too far outside the target range for the central bank to relax about the inflationary implications of credit growth. The prospect thus remains that monetary policy will continue on its present tight course for some time to come.

There is a double disappointment here for those who have been claiming the UK could break free of the German interest rate tie. That argument was

predicated in part on the erroneous assumption that Germany had suddenly become the sick man of Europe. In fact the wage round passed off more or less all right, there are grounds for hope that the budget deficit will be curbed, and money supply is at least heading downwards. Things are no longer bad enough to threaten the anchor position of the D-Mark in the ERM. That they are also not going well enough for any let-up in the adjustment effort means the rest of Europe will have to continue to share the pain.

### Allianz/Dresdner

Germany's number one insurer and number two bank may have perfectly good grounds for refusing last month's Federal Cartel Office ruling that their ties are in breach of local competition law. The implication of their joint statement that Allianz's 22.3 per cent stake in Dresdner is merely a routine equity investment, though, will doubtless be taken with a pinch of salt. That said, the document is significant for the way it highlights the relative long-term attraction of shares over bonds, a traditionally non-Germanic view which has quietly been winning converts in Frankfurt this year.

As for the links which have caused the fuss, Allianz's rivals are certainly entitled to be worried about such a powerful presence on the national market. There is another way for the authorities to deal with this, however, and that is to devote less effort to keeping foreign companies out of their home territory. In a genuinely liberal European market big combinations such as Allianz/Dresdner, ING in the Netherlands and UAF/BNP in France should not be a threat.

### Thorntons

It seems any excuse will do for Thorntons, which launched itself on the stock market with such high hopes four years ago. First, worries about a Labour election victory apparently stopped people buying chocolates for Mother's Day. Then, a Tory win suddenly stopped them buying Easter eggs for their children. Now, after a week or two of sunshine, the summer is too hot. All this may explain a likely profits fall of some 10 per cent in the current year. Another reason could be that the management was late in recognising that the recession would eventually hit confectionery too.

### UK economy

The stock market brushed aside yesterday's GDP figure, even though the UK recovery will now be starting from a lower base than most analysts had predicted. Provisional estimates that output fell 0.8 per cent in the first quarter, moreover, suggest that anyone forecasting an increase of much more than 1 per cent for 1992 as a whole may spend this weekend doing a touch of downgrading.

More encouraging, though, were last

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1960	£9,108	£1,589
1965	£15,679	£1,901
1970	£30,269	£2,369
1975	£35,455	£3,304
1980	£72,231	£5,046
1985	£191,470	£7,741
1990	£396,266	£12,052
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FRANKFURT (Dm)									
Rises	614.5	+ 21.7	Siemens	1700	+ 200	Midland Bank	405	+ 8	
Hofhef	1375	+ 20	Telecom	330	+ 45	Procter	122	+ 5	
Mercedes	528	+ 14	Nichols	408	+ 30	Smith Barney A	890	+ 20	
Schering	784	+ 9.5	Nichols Steam	230	+ 30	Southern Rail	63	+ 7	
Wella Pl	557	+ 12.5	London (Pence)			Sykes-Pickens	85	+ 10	
Falck			Rises			Victoria Carpel	157	+ 12	
Leifheit	510	- 10	Falls			Vodafone	389	+ 12	
New York (\$)									
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Raytheon	29 3/4	+ 1/4	Rises						
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McDonalds	46	- 1/2	Rises			Fidelity	47	- 4	
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# Reaching for the glittering prize

TEN TIMES, Nelson Mandela put the question: "Is there anybody in this room who is opposed to this principle?" Ten times, no one budged.

In one corner of the large conference hall sat State President F W de Klerk, surrounded by a huddle of earnest looking National Party ministers. Further round were the Democrats, and then the communists: the grandfatherly figure of Joe Slovo, who spent 27 years of his life in exile, next to the radical Chris Hani, who as leader of the African National Congress military wing would, a few years ago, have been shot on sight by the policemen now gathered to protect him.

Over on the far side were members of the Inkatha Freedom Party, minus their leader Chief Mangosuthu Buthelezi, the one notable absentee from last weekend's grand Convention for a Democratic South Africa (Codesa). Scattered around sat a score of other groupings, some with proud histories, some forever scarred by their role in the apartheid process, some with real political power, some with none.

Occasionally the atmosphere was electric, as in the silence which followed Mandela's demands that people who disagreed with his definitions of democracy should identify themselves. The mixed response to his speech - some standing and cheering, others sitting firmly in place - gave an impression of the answer to his rhetorical questions.

But for the most part, the public part of last weekend's Codesa conference was mumbly dull, cliché piled upon cliché. Everyone wanted the playing fields to be levelled. Invariably to their own advantage.

It is no wonder that the process was laborious. Here were the nation's leading politicians trying to achieve three difficult tasks simultaneously: to establish a fair and lasting peace, to create a workable constitution, and - not least - to position themselves for the elections which must come sooner or later.

You would have to pinch yourself to remember what was at stake: nothing less than the future direc-

tion of a country of 38.5m people, one which has enormous problems and even bigger potential, and which stands on the brink of a completely new political and economic environment.

How great will the changes be? How long will black Africans be prepared to wait for real improvements in their often appalling standards of living? Can the economy, which has followed a decade of slow growth with three years of stagflation, stand the strain?

To judge by the stockbrokers at lunch in Johannesburg's stock exchange tower, the prospects are glittering. In its new Minister of Finance, Derek Keys, South Africa at last has a successful businessman rather than an unreliable politician in the top economic job. A fair political settlement is in view; the ANC has realised that radical economic change would be a disaster; foreign capital is poised to return to South Africa in large amounts; growing wealth in the black community should lead to a decade of rapid economic growth.

Few other people talk this language, and certainly not Derek Keys, who says there are no magic buttons to press. "I don't think there is any alternative to just hard pounding," he adds.

Yet leaders in both the business community and the ANC give the impression that although the future may not be a matter of business as usual, it is not going to bring startling change.

Warren Clewlow, chairman of the Barlow Rand conglomerate, believes there is general agreement about economic priorities among the main political groupings. "In all the discussions I have one to one, I don't hear jarring suggestions," he says.

Another commonly held view is that the country's economic management has been so bad in the past, and its place in the international marketplace so unfavourable, that conditions cannot get any worse. Meyer Kahn, chairman of South African Breweries and a man rich in quotable quotes, claims that "in a court of law, we could not be accused of handling our economy soundly over the last 40 years."



He does not expect this to change much. "But a fair political settlement would bring peace and stability in the future, I'll settle for that."

For their part, the closer ANC leaders have been getting to power the more conciliatory they have been sounding about future policy. Nelson Mandela has been backing well away from a broad nationalisation programme; asked about the case for a minimum wage, an ANC economist gives a lecture about how much damage this would cause to employment in a country with such marked regional differences.

For foreign investors, the emphasis a year ago was on obligations and investment codes. Today, they are to be welcomed with open arms. "We've mellowed," the ANC man explains.

But it seems unthinkable that the move to democratic government will not bring great pressures for economic change. It is true that over the past decade there has been a marked increase in the share of government spending directed to blacks. Their share of total social benefits rose from 28 per cent in 1975 to 45 per cent by 1987 and a usefully higher figure today.

Yet the inequalities remain stark. Public spending on white school children is still four times per head greater than on black, and large numbers of black children do not go to school at all. On one estimate, over a fifth of black adults have had no schooling, while another third received some primary education only.

Genor, the successful mining finance group, reckons that about half its workforce is illiterate.

Columns of such statistics do not prepare you for a visit to the squalid camps scattered around prosperous, first world Cape Town. Mile upon mile of crudely built shacks and run-down roads, with no electricity, inadequate water supplies and sewerage, and almost no social safety nets, they can look like the end of the world.

It is true that conditions in neighbouring states like Mozambique, Zimbabwe or Botswana are often at least as bleak when measured by such yardsticks as health, diet and literacy. But that is not the point. As a recent World Bank study observes: "Black South Africa has done at best only moderately better than its neighbours despite its proximity to Africa's most dynamic economy."

This is the legacy of apartheid. The problem is that poverty and inequality cannot be removed simply by moving away from this repressive system to a non-racial democratic state. Whatever the shape of the next government, the South African economy will impose severe restrictions on its room for manoeuvre.

The explanation lies in the record of slow growth in production and rapid increases in population. Gross domestic product rose by about 1.5 per cent a year in the 1980s, and the present recession has lasted for around three years. The budget in March projected a rise of about 1 per cent this year, but a dreadful

drought and the impact of growing political violence means that a further decline now looks likely.

Meanwhile, the population has been rising at about 2.5 per cent a year. The result is an enormous pool of unemployed and semi-employed labour. It's reckoned that more than two fifths of the work force have no place in the formal sector of the economy.

You can see them scratching a living on the street corners if they are lucky, or just standing around if they are not.

There is not much room for raising government spending, with a budget deficit this year likely to run well ahead of a March forecast which represented some 4.5 per cent of gdp. South Africans are already quite highly taxed, and with inflation still running at around 15 per cent, there is no room for an easier credit policy.

The country desperately needs rapid economic growth if it is to iron out its present inequalities in the foreseeable future. For example,

finance minister Derek Keys, has for years been in a condition of economic civil war. The question is whether political peace will bring the kind of national consensus that will be necessary to persuade citizens to hold back on consumption in order to apply more to investment. Keys says that his first priority is to find areas of economic consensus, and he is clearly inclined to support some kind of business or economic forum in which government, business and labour could try to build a set of common objectives.

South Africans are forever quoting models of the kind of society they would like to build; it is as if they are trying to reassure themselves that their problems are not unique. Senior government ministers talk about the Swiss political model (yes, the Swiss!). Democrats talk about Sweden, right wingers about Israel, the ANC about Malaysia, and business about Korea or Taiwan.

The trouble with most of these examples is that they depend either

**How long will black South Africans be prepared to wait for real improvements in living standards? asks Richard Lambert. And can the economy stand the strain?**

Sam de Beer, Minister of Black Education, says that even if the economy rises by 3 per cent a year and whites are prepared to accept a sharp rise in pupil/teacher ratios, it would still not be possible to finance equal compulsory education by the year 2000 without a substantial increase in the share of public spending devoted to education. Redistributing the existing cake will not be enough: the cake must be made bigger.

The first and most crucial step will be to resolve the present political uncertainties. That will encourage domestic investment, and open the door to badly needed foreign capital. There should, too, be some dividend to come from the abolition of apartheid. It is true that cuts in defence spending are being partly absorbed by the rising cost of policing a violent society, and that the scope for cutting a bloated bureaucracy is not as great as you might think. After all, most people who work for the state are black.

But a new government should no longer be tempted to throw money at vastly expensive strategic investments, such as the Mosagga oil refinery. There will be a chance, too, to deal with the corruption spawned by apartheid. An official report published this month on the Department of Development Aid, which once controlled most aspects of the lives of millions of black South Africans, concluded: "I am satisfied that the management is not up to its task; that controls and control systems are grossly neglected; that personnel are inadequate in numbers and often quality; that planning is inadequate; that dishonesty and abuse are rife."

South Africa, in the words of

on a high degree of social and cultural homogeneity, or on varying degrees of authoritarianism, or on both. South Africa is split by raw conflicts of interest, and the bulk of its workforce is poorly educated.

Violence, political and criminal, is a national preoccupation. Suburban bungalows are swathed in metal grilles and security devices. At a liberally inclined dinner party in Johannesburg, a guest asks discreetly where he can leave his gun.

So it is not surprising that even from the ANC you will hear talk about the limitations of democracy. A possible straw in the wind: liberal lawyers last week expressed outrage that the ANC has agreed in principle to detention without trial during the first phase of political reform.

The reality is that there are no precedents for what is happening in South Africa, and few clear signposts to the future. The main political players have an enormous vested interest in developing an agreed constitution: having gone so far they know they will sink or swim together. But their interests do not coincide so clearly when it comes to the pace and nature of the economic reforms which must follow political change.

The problems are daunting, maybe even overwhelming. But just as last weekend's political convention would have been unimaginable three years ago, so it would not do to underestimate the country's capacity for change. The last word comes from SA Breweries Meyer Kahn. With a touch of the Sam Goldwyns, he observes: "I'm not negative about the long-term future. But the quicker it comes, the better."

## CONTENTS

Finance: Advice with hidden strings	III
How to Spend It: Finely crafted Arts & Crafts gifts	VIII
Travel: Menorca: the sane side of Mediterranean tourism	X
Motorcars: The best of the fuel-efficient automatics	XI
Gardening: The glories of the Chelsea show	XII
Interviews: An Oxford philosopher and Palestinian activist	Page XX



A biography of Peter Peers. Page XVI  
The drawing above is by James Ferguson who this week was joint winner of graphic artist of the year in the British press awards

Arts	XVII-XVIII
Bridge	XX
Cheese	XX
Crossword	XX
Finance & the Family	III-VI
Food & Drink	IX
Gardening	XII
How To Spend It	VIII
Domestic Law	XX
Marriage	XX
Metaling	XX
Michael Thompson-Noel	XX
Sport	XX
TV & Radio	XX
Travel	X

## The Long View / Barry Riley

# Who gets what in pensions



WHICHEVER ACTUARY naively coined the tempting word "surplus" to describe the financial condition of occupational pension funds has no doubt suffered the vengeance of his professional peers. The terminology is important here, because the so-called surplus is not a pot of gold but a purely theoretical construct based upon hazy projections of future salary-linked liabilities and future investment returns. Yet although it may be intangible and even unreal, people are prepared to fight for it, and with reason.

The pensions industry is now getting ready for an official inquiry - even, perhaps, a Royal Commission - and eventual legislation. The investigations may well focus not only on the obvious security issues arising from the Maxwell scandals but also other hotly-contested topics, of which the ownership of surpluses is one. There will be an important but opaque subsidiary debate here over the future of final salary-linking (the pattern for the vast majority of British schemes) as opposed to the simpler money purchase alternative, which is more of a what-you-pay-is-what-you-get arrangement - or WYPIWYG as a computer man might say.

Some of the dark secrets of all this are barely acknowledged by pensions managers and consultants. Today's occupational pension schemes are hugely profitable for the bosses and the top managers, who get far more out of them than they ever contribute. But they are often a swindle for many people who change jobs frequently and for long-serving employees who are declared redundant some years before retirement. Indeed, one of the most sinister features of the final salary scheme is that it makes it very expensive for companies to continue to employ people through their fifties and early sixties, and is an important explanation for the early retirement pressures which have

become so pervasive.

A survey just published by the consultants Noble Lowndes shows that the average Briton suffers a much greater fall in income on retirement than elsewhere in Europe: even if he pursues a full, uninterrupted career his income after tax will fall by 24 per cent against the EC average of 15 per cent. But it is different for high earners. They enjoy proportionately higher pensions than elsewhere in Europe.

Final salary plans provide the key. They were originally invented by the Civil Service, where lifetime employment and progressive salaries were the rule. Those who made it to Permanent Secretary could enjoy the pay rewards after retirement as well as before; and presumably it was these Sir Humphreys who persuaded ministers to approve the design of the pension schemes.

But final salary schemes are not at all suitable for, say, manual workers whose earnings are likely to peak quite early in their working lifetimes. They are much better off with schemes which focus on their best years and then use indexation to protect the benefits against inflation. The state earnings-related scheme SERPS is like this. Or they could do better in money purchase schemes so long as the contributions are securely invested over many years.

Private sector schemes used to be on a money purchase basis but when inflation began to rise seriously in the 1960s they were switched to final salary-linking. This was much cheaper than indexation because so few employee members stayed as long term contributors. Company bosses, like the Whitehall Mandarins, also came to realise that a final salary scheme could be milked for their own benefit. A big pay rise in the last year before retirement could be the trigger for many years of correspondingly fatter pension payments, with no nonsense about WYPIWYG. Compare the plight of the ordinary employee declared redundant at, say, 35 with frozen pension rights and liable to lose up

to ten years of inflation protection.

Over the past few years the government has been forced to step in to control several of these abuses. The most controversial measure came three years ago with the "cap" on qualifying salaries - now £75,000. Above this limit incomes are non-pensionable in the ordinary way, on the very reasonable grounds that the state should not offer generous tax reliefs to people retiring on £50,000 a year or more.

The pensions industry reacted with astonishing fury to a measure which affected only a tiny proportion of scheme membership. Few pensions managers themselves earn anything like £75,000 a year. But they realise that the popularity of final salary schemes has been very largely founded on the self-interest of company bosses. The cap only applies to those top executives who have changed jobs since 1989. But progressively it will bite ever harder. Top executives may start to wonder whether the traditional schemes are really such a good idea.

A common criticism of money purchase schemes is that they are riskier for members and do not protect against future inflation. But it is, of course, possible to invest in index-linked gilts. These were originally introduced by the government because there was supposed to be a demand from pension funds. In fact pension funds have only 3 per cent of their assets in index-linked gilts, because they have preferred riskier but more lucrative equities.

You have to ask whether the hostility to money purchase schemes is really because of the investment challenges they represent, or because it is impossible for top executives to scoop the pool. Money purchase schemes have no surpluses to be fought over.

Meanwhile, let battle commence. But if the actuaries had had the sense to describe surpluses as, say, implied negative contribution adjustments or residual terminal accrued balances, they might have avoided a lot of trouble.

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I am retired / plan to retire in \_\_\_\_\_ months. FT236

# FINANCE AND THE FAMILY

## London Markets Looking beyond the gloom

Peter Martin, Financial Editor

IT SOMETIMES seems as though the stock market has been waiting for economic recovery so long that it will not know what to do when it arrives. This week, however, came the first signs of adjustment to life after recession.

Norman Lamont and the Bank of England both started to look past the question of what economic policy would end the recession soonest, to the policy that would best ensure stable medium term growth.

The chancellor focused, in a speech to the Confederation of British Industry on Tuesday, on the need to halve British inflation to match Japan's 2 per cent rate. Entry into the Exchange Rate Mechanism required a "sea change in attitudes to inflation in Britain," he said.

Similar noises came from the Bank of England the same day, which was also marked by government figures reporting a 0.3 per cent increase in manufacturing output in the first quar-

ter of the year, the first rise in 18 months.

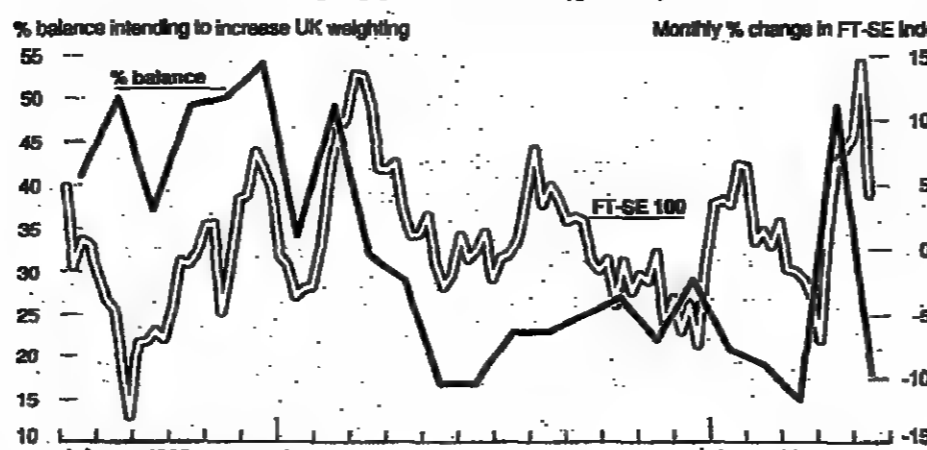
Like the chancellor, the Bank wants to see further progress on inflation. Its principal concern, however, is government spending, which, it says, threatens Britain's ability to meet the Maastricht terms for entry to European Monetary Union later in the decade.

All this official sternness had no immediate impact on gilts, the market most sensitive to concerns about inflation and government borrowing. But on Wednesday, the authorities' message about a slow, non-inflationary recovery was reinforced by weak retail sales numbers. Gilts bounced upwards. Longer-dated government bonds - which would benefit most from a permanently lower level of inflation - did best, with yields dropping below 9 per cent.

By Friday, long-term interest rates were a quarter of a point lower than a month ago, with much of the change traceable to the past week.

As a result, the gap between

Fund managers' net buying plans for UK equities, vs FT-SE 100 Index



interest rates on gilts and on German bonds has also narrowed: this Friday it was 1.18 percentage points, the slimmest it has been in recent months and much less than the 2.30 point gap in the depth of pre-election gloom. S G Warburg is predicting a further drop to between 0.75 and 1.00 per cent in a year's time.

A pointer to the gilt market's strong performance could perhaps have been seen in Smith New Court's survey of institutional investors, carried out by Gallup on May 11-12 and issued on Monday. Fund managers' buying plans for gilts were the most positive since monthly surveys began two years ago. Investors were adjusting to life after recession in other ways, the survey suggested. The balance of fund managers planning to increase their holdings of UK equities dropped back in May, in line with levels

earlier in the year but well below those seen in April's post-election euphoria. As the chart shows, movements in buying intentions appear to translate into movements in the FT-SE Index, with a lag of a month or so. If that pattern continues, the weakening of buying intentions may mean that the FT-SE's retreat from its post-election high has further to go. In spite of this, it managed to recover some of last week's losses, closing on Friday at 2,715.0, up 32.4 on the week.

One possible sustaining influence, noticeable in the survey, is that underlying expectations for UK equities improved last month. Fund managers are now expecting the FT-SE index to reach 3,024 a year hence, the first time the 12-month forecast has gone over 3,000.

At a more mundane level, the food retailing sector was also starting to look ahead. The strong performance of the sector during the recession seemed no longer enough for investors. Argyl reported a 25 per cent rise in pre-tax profits on Wednesday, but its shares fell 10p on the day as shareholders worried about current trading.

Another setback for the supermarket chains came on Thursday, as Morrison, the Yorkshire group, announced it would begin depreciating the value of its sites. Shares of all the leading groups suffered; Tesco did worst, losing 26p to finish at 267p.

On Thursday, Sir Leon Brittan announced that the EC Commission was setting back-to-normal Standard Chartered objections to the bid for Midland Bank by Hongkong and Shanghai Banking Corpo-

ration. On Friday, Michael Heseltine announced that the Department of Trade and Industry was referring the Lloyds bid for Midland to the Monopolies and Mergers Commission.

There was nothing unexpected in either decision, but the market took them as good auguries for the Hongkong bid. Midland shares closed the week at 405p, up 11p, and Lloyds at 427p, down 2p.

That was not the only news affecting bank shares this week. As Hongkong Bank came a step closer to one of the first big cross-border banking takeovers of the 1990s, Barclays was escaping the unhappy consequences of a similar, rather smaller, purchase of earlier decades.

It announced the sale - for what seemed a trifling sum - of its 65-branch New York retail banking operations. Barclays closed the week at 382p, up 18p.

Overseas misfortune dogged another bank. In Bombay this week, the stock exchange scandal there claimed Standard Chartered as a victim. The bank announced a provision of \$50m for what might turn out to be forged bank promissory notes it is holding at its Bombay branch. The \$50m provision was pretty much a guess, the bank said, but its losses were "unlikely" to be more than \$100m.

Standard's long suffering shareholders took the news stoically and the shares closed on Friday at 504p, up 1p on the week. Shareholders clearly remembered that, even though the economy is getting back-to-normal, Standard Chartered has its own definition of business as usual.

## Serious Money

# Ups and downs of inflation

By Philip Coggan, Personal Finance Editor

EVERYONE would agree that inflation is a "bad thing". Unfortunately, it is much less easy to agree on what the inflation rate actually is. This week, Norman Lamont, the UK Chancellor, asked for a review of the way that housing costs are treated within the Retail Prices Index.

Now, the cynic would assume that any change in a government statistic must be bad news for the public. And certainly, it was only in 1990 that government ministers were arguing that we should concentrate on the "underlying" rate of inflation, and not the headline RPI rate.

But there is a respectable intellectual case for changing the system. When the government causes interest rates to increase, it normally does so to control inflation. But the inclusion of mortgage payments within the RPI means that an interest rate increase causes the index to rise.

Since many wage bargainers use the RPI as the basis for pay negotiations, the result is that the government's chosen definition of "headline" inflation can cause underlying inflation to rise even faster.

Furthermore, most other countries do not include mortgage rates in their inflation indices. So the present system makes our position look worse than that of our competitors.

Hang on, you might reasonably interject. Any inflation index is supposed to measure the cost of living. If I have a mortgage, and the interest rate increases, my cost of living has risen. Taking the mortgage rate out of the RPI defies common sense.

Nevertheless, the critics retort, not everyone has a mortgage. Some people rent others own their homes outright. A different measure of housing costs (such as imputed rent - the rent an occupant would pay if he did not own the property) might be a more realistic

guide to "true" inflation.

This might seem an arcane economic debate, but the rate of inflation is very important to the modern economy. Many social security benefits, occupational pensions and utility prices are tied to the RPI. And investors buy RPI-linked gilts and National Savings, to protect themselves against the effects of rising prices on their savings. There thus might be a lot of winners and losers from a sudden change in the composition of the index.

At present, recent declines in interest rates mean that the measure of inflation which excludes mortgage rates is higher than the RPI (the April yearly rates were 5.7 per cent and 4.3 per cent respectively). So a change in the calculation of the RPI might be good for those who rely on index-linked benefits or investments for income.

By the time the review of the index is completed, things could have changed. The UK could be at a different stage of the interest rate cycle.

Those who own index-linked gilts and National Savings might feel that they ought to have some protection from the effects of statistical manipulation. After all, how far could the process go? Could the government start excluding the effect of, say, excise duties or VAT in an attempt to keep the RPI at an artificially low level?

In the case of National Savings, the answer is: tough luck. The value of certificates will rise in line with the RPI, however the government deems it to be constituted.

Gilts are different. The issue prospectus refers to a change in the basic calculation of the RPI which "in the opinion of the Bank of England, constitutes a fundamental change in the index which would be materially detrimental to the interests of stockholders." Such a change, the prospectus

continues, would result in investors being given the right to redeem their gilts.

There was a jump in the price of index-linked gilts this week as investors speculated that this clause might be triggered. Index-linked gilts trade below their indexed value and thus redemption would be highly profitable for investors.

But Simon Briscoe, gilts analyst at Greenwell Montagu, thinks this unlikely. First, he argues that if mortgage rates are replaced in the index by some other measure of housing costs - such as imputed rent - the change would not be regarded as fundamental.

Second, he argues that the change would not be "materially detrimental". "Over the long run, there would be negligible difference between inflation judged by an index that includes mortgages and one that excluded them, as interest rates tend to fluctuate around a certain level," says Briscoe.

In other words, periods when the headline rate of RPI is above the rate excluding mortgages (as in 1990) are cancelled out by periods when the reverse is the case (as now).

So those who have bought index-linked gilts cannot expect a sudden profit. On the other hand, the logic of the Briscoe argument is that index-linked investors need not worry too much about a change in the index.

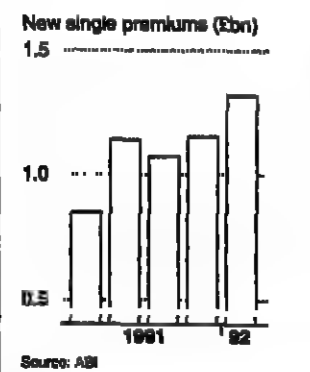
Indeed, recent changes in National Savings rates may have made index-linked more attractive. The 37th issue pays 8 per cent; since the 5th index-linked issue pays 4.5 per cent over the rise in the RPI, inflation would only have to average more than 3.5 per cent to beat this return. The days of 10 per cent inflation may have gone for a while. But given the UK's economic record, it is surely not a wild gamble to assume that inflation might be above 3.5 per cent.

## HIGHLIGHTS OF THE WEEK

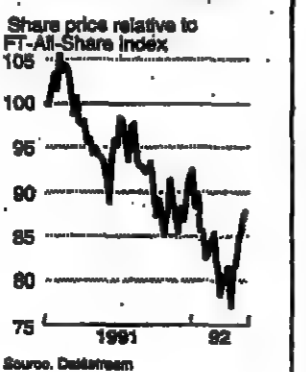
	Price	Change	1992	1992
	y'day	on week	High	Low
FT-SE 100 Index	2715.0	+32.4	2737.8	2522.7
Argyll Group	346	-18 1/2	372	275
Bovis	482	+28	492	398
British Airways	314	+30	315	219
British Land	218	+17	275	164
British Telecom	368 1/2	+15 1/2	368 1/2	305
Dixons Group	285	+31	296	196
Jarvis (B)	68	+14	89	38
Leasom	195	-18	263	179
MEPC	355	+23	411	282
Ocean Group	300	-38	357	299
Prudential	263	+11	269	196
Tesco	267	-26	296	215
Vodafone	389	+18	396	300
Wellcome	878	-29	1174	942

## AT A GLANCE

### Life insurance



### Commercial Union



## Buoyant sales for life insurance

In spite of growing press criticism, sales of life insurance products rose substantially in the first quarter of this year, according to figures published yesterday by the Association of British Insurers. Single premium business - which often increases during a recession as consumers look to invest redundancy payments - rose by 85 per cent compared with the same period last year. Much of this was due to the continued popularity with-profit bonds - sales increased by 156 per cent. Doubts remain about the validity of the sales techniques used in promoting these products and Laidlaw, the industry's regulator, has launched an inquiry into them. Annuity business increased by 32 per cent and single premium pensions by 51 per cent. Total new annual premium business rose by 4 per cent.

## CU preference issue

Commercial Union, the composite insurer, made a \$100m preference share issue this week. At the same time it announced that it had made a loss in the first quarter of this year, but this was not as large as expected. CU has increased its market share, and the move was seen as showing that the group was still expanding. Its shares were down slightly on Wednesday, but had regained most of this by the end of the week.

## GT launches Pep

GT has launched a Pep which allows investors to select from seven funds: UK Capital; UK special situations; Income; smaller companies dividend; global assets; European and Germany. More than one fund can be chosen, subject to a lump sum minimum of £500 per fund, or £50 for monthly savings. Investors can switch between funds at a 2 per cent discount. The initial charge is 5.25 per cent; the annual fee varies between 1 and 1.5 per cent.

## Dublin bond fund offered

Morgan Grenfell has launched a Dublin-based Reserve Assets Bond Fund. The open-ended fund will invest in government debt and AAA rated bonds and will aim for a 10.5 per cent initial gross yield. Dividends can be paid gross because of the fund's offshore status. The fund will have a single pricing structure - the equivalent of the conventional unit trust bid-offer spread is the initial charge of 5.25 per cent. The annual charge is 1 per cent; minimum investment £1,000.

## New with-profit bond

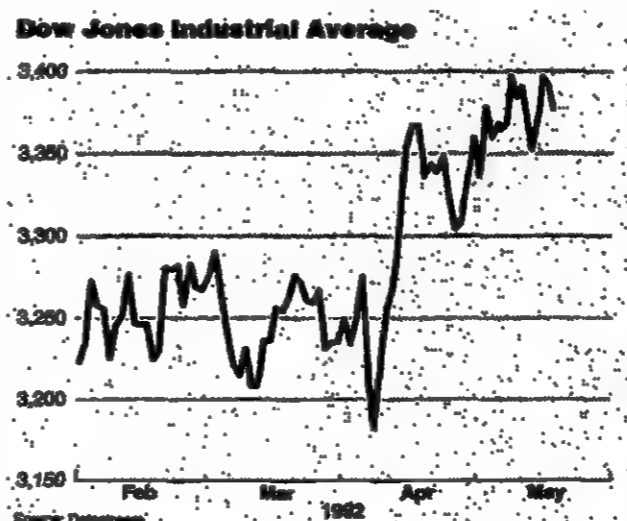
Scottish Provident has launched a with-profit bond. It aims to avoid the biggest drawback of these bonds, which is the freedom which offices allow themselves to make downward "market value adjustments" if market conditions are bad when an investor encashes the bond. Scottish Provident has guaranteed not to apply an MVA in any of the following circumstances: on the death of the bondholder, or when drawing an income of 7.5 per cent or less, or when withdrawing money on the fifth anniversary of the bond. This also applies on each subsequent fifth anniversary. The rates being offered are slightly lower than those elsewhere. There is a guaranteed bonus of 5 per cent annually, with a reversionary bonus on top, currently 8.25 per cent, making a growth rate of 9.25 per cent. The bid-offer spread is 5 per cent.

## Small companies sparkle

Smaller company shares continued their rally this week. The Country Smaller Companies Index rose 0.8 per cent to 1032.19 in the seven days to May 21, while the House Govett Index (capital gains version) was up 0.6 per cent to 1304.77 over the same period.

## Wall Street

# Summertime, and the market is easing



These hopes were dealt a serious blow on Thursday, however, when reports from Washington DC suggested that the policy-making Fed's Open Market Committee (FOMC) had voted at its get-together on Tuesday to keep monetary policy unchanged and to drop its bias toward easing for at least one month.

Although the FOMC's decision does not rule out another rate cut entirely - the Fed chairman can order a 1/4 point cut in the Fed funds rate whenever he feels economic conditions require it - the vote against easing suggests the monetary authorities are satisfied with the way the economic recovery is advancing, and see no need for further stimulus.

The FOMC vote, therefore, may have kicked away the last prop holding the stock market and the Dow up at 3,400. If investors cannot look forward to another interest rate cut soon, and if economic growth and corporate earnings continue to maintain steady but unspectacular progress for the next three to six months, then there the chance of equities making much headway over the summer is remote.

Supply pressures are also squeezing the stock market. Only this week a whopping \$2.6bn in new safety was sold to investors, eating into the market's already dwindling

stockpile of cash. The bulk of the new shares came from General Motors, which, in the biggest public common stock issue in US corporate history, sold 55m shares at \$39 each on Tuesday in an effort to bolster its sagging balance sheet. The remaining \$450m or so was poured into the coffers of Federal Department Stores, which sold 40m shares at \$11.50 each.

The success of the GM issue, topped by 5m shares at the last minute because of strong demand, was a boost to market sentiment. The company is not the force it once was, but the old adage that what is good for GM is good for America still has some relevance, and it was important that US investors (and some from overseas) displayed their confidence in GM by putting up the cash for the giant carmaker.

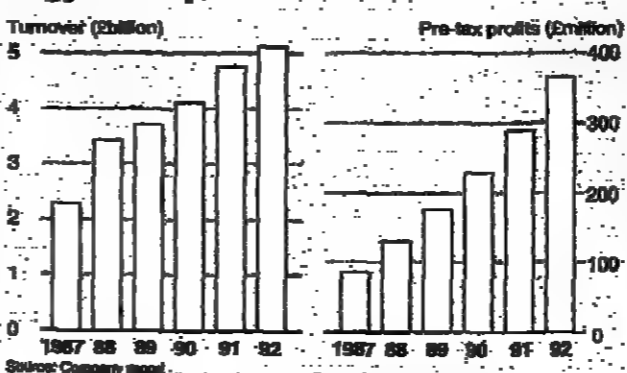
## Patrick Harverson

Monday	3378.08	+22.84
Tuesday	3397.59	+21.96
Wednesday	3398.94	+4.15
Thursday	3378.71	-15.13

## The Bottom Line

# Argyll mixes it with the big boys

## Argyll Group



through epos systems. Now it scans 100 per cent, giving the company enormous marketing and operational benefits. Argyll is also a marketing company. This year it will launch 1,500 own-label lines which will enable it to edge margins still higher. "We now have more in common with Unilever than with Jack Cohen's style of piling it high

by their rivals.

But Argyll has strongly developed the Safeway brand moving into edge-of-town superstore sites, expanding the company's own-label range, investing heavily in electronic point of sale (epos) systems, and creating a centralised distribution network.

In 1987 the company scanned only 2 per cent of its goods

profits expansion has nevertheless been eye-catching. Last year it opened 17 Safeway stores, accounting for most of its capital expenditure budget of \$442m. And Safeway is stepping up its development programme by opening 25 stores both this year and next.

Still flush with funds from last June's \$287m rights issue, Argyll will invest a further \$550m this year, which works out at almost \$12m a day. Its new stores, costing about \$15m, are achieving a return on investment of 30 per cent.

The 222-store Safeway chain accounts for about three-quarters of the group's turnover of \$5.04bn. In the past five years its profits have grown sixfold and sales threefold. Safeway has been transformed since it was acquired. Five years ago, most of its store portfolio consisted of 1970s American-style supermarkets which were losing their edge against the out-of-town superstores being erected

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selling it cheap' in the early days of Tesco," says Grant.

David Webster, deputy chairman, points out that Safeway has broadened its range of activities and runs 317 delicatessens, 275 bakeries, 81 petrol stations, and 53 pharmacies. Argyll also owns the Presto chain, which has 212 supermarkets, and Lo-Cost, which runs 285 discount outlets.

In recent years, these two businesses have taken the back seat to Safeway's development plans. But Argyll's directors hinted this week that they may push these brands far more aggressively as the exceptional returns achieved from the big edge-of-town Safeway superstores begin to tail off.

Argyll has kept a close eye on developments in the main-land European food retailing market by linking up with Ahold of the Netherlands and Casino of France to form the European Retail Alliance (Era). This group swaps technology skills and distribution exper-

tise and is beginning to pool buying power.

The link is already being seen in some of Safeway's stores. Shoppers at the recently-opened Hatch End store have been treated to a range of 50 Casino-sourced French products, such as cassoulet and creme dessert.

But in spite of its progress, Argyll will always remain one of the great "what if?" stories of UK corporate history.

Would Argyll have performed still better had James Gulliver won the controversial contested auction for the Distillers drinks group in 1986 and been able to take advantage of the great profits uplift that Guinness has enjoyed?

Nobody can know for sure. But Argyll seems quite happy spending the \$100m proceeds it received from Guinness in settlement of its legal claim building several more highly profitable superstores.

John Thornhill

## FINANCE AND THE FAMILY

## Financial advice: beware the hidden strings

*'Independent' advisers may not be all they seem. Remuneration by commission can cost an investor dear, warns John Authers*

**L**OOK through the contract note for an investment product and you will find a revealing little phrase.

Typically, it goes like this: "The adviser who sold you this product is an employee of XYZ Services, and has been remunerated by us."

Few people think of their advisers as being the employee of someone else – particularly if that adviser is "independent". But if you are accepting advice from someone who is paid by commission from the product provider, rather than by a fee from you, then that adviser is not employed by you at all. If there is any logic to remuneration, then he owes his loyalty to the company.

Looked at this way, it seems startling that anyone accepts advice from a commission-charging adviser. However, the British aversion to writing a cheque to a mere "intermediary", coupled with a reluctance to make financial plans, has ensured that the bulk of investment products have been sold via the commission system. British consumers have the intermediary system they deserve.

Some products, such as National Savings and Gifts, do not pay any commission and are often overlooked. Unit trusts, appropriate for many, do pay commission, but at 3 per cent they cannot match the commission on similar life insurance company bonds.

A commission-charging IFA therefore needs to be most philanthropic before he will steer a client towards one of these products. He has a strong incentive not to do so.

Cost is also an issue. Fee-charging advice is not necessarily an expensive luxury – it can work out much cheaper for the consumer than commissions would be.

Commission is usually charged as a percentage of the total investment, which gives the salesman an incentive to

encourage you to invest a large sum. Insurance companies prefer investors to pay small sums of money regularly, so monthly premium contracts are particularly expensive.

For example, a survey earlier this year by Lantoro found that the average commission paid for a 25-year mortgage-linked endowment policy with a premium of £50 per month was £498, if bought through an independent financial adviser, and £570 if bought via a tied agent. The highest commission was £641 – more than a year's premiums.

Compare this with fee-charging advisers. At Chamberlain De Broe, a London-based broker, there is a flat fee of £14 for buying a guaranteed income bond, £50 for buying a unit trust, and then from £50 to £150 for buying a pension or an insurance product.

A survey by the Institute of Financial Planning, a small professional body which covers the sector, found that the average fee per hour charged by fee-charging members was £90, while more than a third charged less than £75. Buying an endowment, a mainstream product which most offices will be well-gear to sell, is unlikely to take more than two hours' work.

Commission thus begins to look like a wholesale scandal. But it is not fair to heap opprobrium on the UK's financial advisers just for accepting commission. Most of them are only reacting to the fact that consumers have not been prepared to pay fees. However, a trend towards fee-charging advice has now emerged, fuelled by new, low commission products and greater disposable wealth. People today have a greater understanding of finance and are happy to pay for advice.

But moves in this direction have encountered roadblocks which should be dismantled. Two life offices are wholly non-commission paying – Pro-

fessional Life, established in 1990, and Provident Life, which opted to restructure its operation to aim at non-commission charging advisers after a survey by McKinsey, the management consultants, had suggested that this was the way forward for the industry.

The attitudes of other offices vary. It need not matter to them how intermediaries are paid, but the difficulty of adapting computers to cut out commissions can stop them.

Awkward facts can also be revealed by the practice some fee-charging advisers have of rebating commission to consumers. By rebating commissions on some with-profits bonds, advisers gave customers an instant 2 per cent profit, which provided a strong stimulus to surrender early – the life offices were not amused.

Tax is a problem when commission is paid and then rebated. Commission is paid as an income to the intermediary, who then has to pay income tax on it. If it is then passed to the consumer, the income tax liability goes with it.

VAT is payable on fees, which adds to the difficulties the tax authorities put in the way of fee-charging.

Another problem is that non-commission products need not be the cheapest if their costs incorporate heavy payments to their own sales force.

For example, fee-chargers direct much more at Equitable Life, easily the most successful office which does not pay commissions to intermediaries, because charges are deducted even if the investor approaches the company direct. According to Pensionline, a fee-charging pension service, Equitable has the lowest charges, including commission, on 25-year unit-linked regular premium personal pensions – these charges account for 18.97 per cent of the final fund. However, with commission rebated, Scottish Life's charges are only 11.18 per cent, and 13 other

offices also undercut Equitable. The issues are complex.

There is no homogenous profession of "fee-charging advisers". People who answer to this description include accountants, solicitors, stockbrokers, benefits consultants, consulting actuaries, and a wide range of more traditional independent advisers with hybrid methods of charging fees.

It is vital not to end up paying more than you would via a straight commission, and to understand exactly what you are paying for.

Jim Roberts, general manager of Professional Life, outlines some of the options: ■ Hourly Rate. This would be most financial advisers' ideal. But people still have an aversion to coming in off the street and paying money to be told not to do something.

Thus, many advisers will offer you a free first hour of consultation and provide an estimate of the work to be done, and its likely cost, at the end of it.

■ Annual Fees. Clients effectively pay a "membership" fee, and in return receive sustained advice including an annual meeting and regular reports. Further action, however, would cost extra money. This may be more the kind of over-arching "service" which those who are less financially self-confident will need, but it can work out more expensively.

■ Investment or Portfolio Charges. This makes a step back to the world of incentives offered by commission, but there is no conflict of interest between adviser and client. The adviser wants to make the portfolio grow, as this will increase the amount he is allowed to take in fees.

Most fee-chargers end up using a combination and in some cases admit that they only become substantially cheaper than commission-based advisers for high amounts. David Kauders, who changed his business from 98



## How to find a fee-charging financial adviser

**H**OW DO you find a fee-charging financial adviser when you need one? Few advertise their services too strenuously, for sound commercial reasons. "Come to us for advice and we'll ask you for money, even if you don't buy anything," would not be a good sales pitch.

As yet, there are few advisers who operate solely on a fee basis, but the number prepared to offer this option is growing fast. The names of 1,500 prepared to charge fees are available in a register – arguably the best available – published by Money Management magazine and administered by Professional Life, but many "swing both ways" and do the bulk of their business through commission.

Money Management takes no responsibility for the advisers on its list. But if you consult one and find the standard offered is unacceptable, report this and the adviser will be knocked off the register. The magazine will send you details

of six advisers near you, and it is worth investigating all of them.

Send your enquiry to: Money Management, Fee-Based Adviser Register, Financial Times Business Information, Greystoke Place, Fetter Lane, London EC4A 3ND. Remember to include your postcode, since this is used to locate the nearest firms of advisers in your area.

The Institute of Financial Planning is attempting a slightly more ambitious project. Its registry of financial planning practitioners will include all those who have passed the IFF's examinations on financial planning, and who will abide by its code of practice. This includes offering a financial planning service separate from any investment business, if required.

The registry is still being compiled, and is likely to have a rather smaller list of members than the Money Management list, but it will aim to include all those satisfying the IFF criteria who charge fees.

Details are available on 0432-274-5991.

The IFF is, however, an embryonic professional body. If you specifically need the services of an accountant, a longer-established organisation can help.

The Institute of Chartered Accountants (head office: 071-606-7060) is divided into 22 regional offices. Your local branch will be able to provide the names of the firms nearest to you. Again, it is wise to check all of them; most will give basic details of fees and services without charge.

The Law Society (head office: 071-242-1222) offers a similar service and publishes the Solicitors' Regional Directory, available in all public libraries and citizens' advice bureaux. This gives details of all qualified solicitors in your region and their special fields and should guide you quickly to those suited best to will-writing or estate-planning. The complete register is available at the Law Society's shop in the Strand, London.

THE US MASTERS GUARANTEED FUTURES FUND LIMITED

## Why be excluded from one of the world's most exciting investment opportunities?

Few would disagree that Futures offer high profit potential.

On the downside, normally the minimum investment is high and the risk is considerable.

The US Masters Guaranteed Futures Fund Limited, sponsored by Johnson Fry Securities Limited in the U.K., will offer an attractive alternative, combining profit potential and downside protection.

The entry point will be as little as £2,000 committed for a 7 year period and it is intended that your original investment will be fully guaranteed in Sterling by Barclay's Bank PLC.

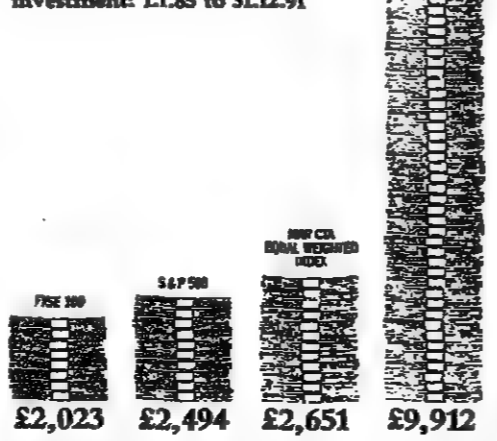
This means whatever happens to the Fund's trading in Futures, you will still get your capital back. That's the value of the guaranteed capital return.

You owe it to yourself to find out more about this low risk, high reward opportunity. Simply complete the coupon or, if you are a non-U.K. resident, phone +44 71 233 8458 or Fax +44 71 233 8212. If you are a U.K. resident phone 071 839 8411 or Fax 071 930 3166.

**GUARANTEED CAPITAL RETURN**

The advertisement, which has been issued by Johnson Fry Securities Limited, a member of SFA, does not constitute an offer or invitation to subscribe for an investment in The US Masters Guaranteed Futures Fund Limited ("the Fund"), a closed-ended investment company to be incorporated in the Isle of Man. Applications to invest may only be made on the basis of the information contained in a prospectus to be issued by the Fund and by completing the application form attached to such prospectus. Although the return of an investor's original capital will be guaranteed, the value of the investment may fluctuate, and will be adversely affected by changes in currency rates of exchange. The highly "leveraged" nature of Futures trading means that a relatively small price movement in the price of a Futures contract may result in a profit or loss which is high as a percentage to the amount of funds deposited in Margin. Futures markets can suffer from time to time from a lack of liquidity. There will be no market for an investment in the Fund, and as such market is likely to develop, nor will there be any number market, so that it will be difficult for an investor to sell or realise his investment, which will not be redeemable, or to obtain reliable information about its value or the value of the risks involved in a reported liquidation for change and recovery will not be made available throughout the life of the investment but will be liquidated approximately once the early years.

Comparative historical performance of a £1000 investment: 1.1.85 to 31.12.91



The above table compares the average performance equally weighted of the three leading Futures funds for the Fund with the performance of an index of 25 major Futures Trading Advertisers produced by Managed Futures Reports (MAFR) and with the performance of the principal equity indices of the London and New York stock markets (Dow Jones). If the Fund had been in existence during this period its annual performance would have been different because of the different circumstances, trading methods and the guaranteed structure as adopted by the Fund. In any event, it should be clearly understood that the past is not necessarily a guide to future performance. The Fund is due to be launched on 26 May 1992.

To: Johnson Fry Securities Limited, 20 Regent Street, London SW1V 4PZ, UK. Please send me more information on The US Masters Guaranteed Futures Fund Limited.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Daytime Tel: \_\_\_\_\_

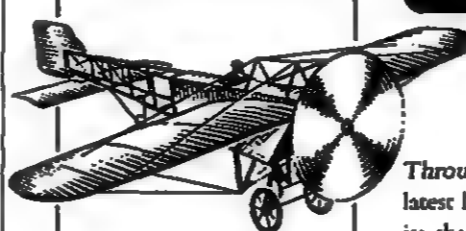


Member of The Securities and Futures Authority (UK)

THE US MASTERS GUARANTEED FUTURES FUND LIMITED

New Issue

## Henderson EuroTrust plc.



On 25th July, 1909 Louis Blériot became the first man to cross the Channel by air. Despite severe turbulence over the White Cliffs, he was successfully guided down to a safe landing by a French journalist waving the tricolor flag.

The same year, when Investment Company plc was launched, under the flag of the Henderson Collection of investment trusts.

Which has changed since 1909. The annual total of overseas relative returns in Britain by air, for example, which has grown from just 1 to over 11,000,000.

History does not repeat itself. Henderson EuroTrust plc was the first £1,000 placed for sale from the White Cliffs. But we can tell you precisely what we could have done with it.

£1,000 invested in Witan, first offered to the public in 1924, would have grown to no less than £2.7 million by January 1992 – an impressive return by any standards.

Throughout our long history Henderson has managed investment trusts, the latest launched in 1990. We believe that each of our trusts should work hard for its shareholders. Their performance over ten years bears this out – the average Henderson investment trust has outperformed the investment trust average by 53%.

We started investing in continental European companies in the 1930s, but we have waited over fifty years to launch an investment trust dedicated to this market. And we believe that now is the right time.

Henderson EuroTrust plc offers you an extremely flexible route to investment in Europe. For a limited period, you can also link an investment in Henderson EuroTrust plc to the full tax benefits of a PEP plan with NO INITIAL PLAN CHARGE. This offer applies to investments of up to £6,000 through a PEP which must be received by 22nd JUNE.

If you believe in the future of Europe as an investment, then Henderson certainly has the credentials. Apart from our performance record, we have the experience and the commitment: we now manage over £880 million in European markets for our discretionary clients, which puts us in the top league of UK fund managers in this sector.

Find out why we have confidence in Europe as an investment. Please complete the coupon below or telephone our Investor Services Department on 071-410 4104 to reserve your copy of our mini prospectus today.

Put your money to work in Europe

To: Investor Services Department, Henderson Financial Management Limited, Freepost, PO Box 316, Aylesbury, Bucks HP20 1HR. Please send me details of Henderson EuroTrust PEP ☐ and/or please send me a mini prospectus for Henderson EuroTrust plc ☐

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Postcode: \_\_\_\_\_

My financial adviser is: \_\_\_\_\_

Applications for Henderson EuroTrust PEP must be received by 22nd June.

**HENDERSON**

**The Investment Managers**

Henderson Financial Management Limited, 3 Finsbury Avenue, London EC2M 3PA  
London, Birmingham, Bristol, Manchester. A member of IMRO

Please note that past performance is no guide to the future. The value of an investment and the income from it can go down as well as up. Changes in exchange rates between currencies may also cause the value of shares to diminish or increase. Taxes relating to PEPs may change if the law changes and the value of tax relief will depend upon the circumstances of the investor. Figures for Witan's performance are based on net asset values at 27.7.24 and January 1992, assuming net income reinvested. The source of all 10 year statistics is Microcap.

## FINANCE AND THE FAMILY

Investing in . . . France

## Opportunity knocks across the Channel

IT MAY just be British prejudice, but few people seem interested in the investment opportunities available just across the Channel.

Germany has been regarded as the leader of European economies for years now, while France seems merely to move in its slipstream. Also, the French market has relatively few quoted stocks, and is far less liquid than London - to the extent that the stock market generally receives a boost in January and February, when the coupons on government bonds are paid.

Despite having its own Big Bang, the impression is that the Paris bourse is dominated by a small number of firms, even though brokers say that trading is generally cheaper in Paris than it is in London.

Add to this the traditional British friction with all things French, and the limited range of opportunities for UK investors to gain exposure specifically to France is scarcely surprising. Only two authorised UK unit trusts invest exclusively in France, although there is a range of insurance and pension funds and a few Luxembourg-based funds.

However, if you choose to invest in a European fund, you may find that you are in fact investing very heavily in France. Most UK fund managers are now heavily overweight in this market.

Henderson is launching a European investment trust next month with an initial

asset allocation including 23 per cent in France, compared with only 14 per cent in Germany. Its managers point to the current political optimism and the intention of several big French pension funds to increase their equity holdings.

There is also a belief that the economic balance of power between France and Germany could change. The Continent is awash with speculation that the Franc could replace the D-Mark as the anchor for the European monetary system.

This may be premature, but it speaks volumes for the shift in sentiment. Germany's problems are well-documented and have much to do with the resurgence of optimism about France. But few appreciate that France has avoided the worst of Germany's difficulties.

France's political embarrassments over the last year, with the fall and rise of Edith Cresson and the near-breakthrough of Jean-Marie Le Pen and the far right, have obscured the enviable price stability over the same period.

Inflation - at 3 per cent and forecast by many to fall further - seems to be "licked", as

John Major might put it. The main banks' base rates, at 8.85 per cent, remain almost artificially high thanks to the neighbouring influence of Germany. The markets have also received the appointment of prime minister Pierre Berégovoy, a former finance minister, with delight. He has instilled new confidence in the markets, is trusted to be "responsible", and any fiscal stimulus he does administer, to help the Socialist re-election effort, is likely to benefit the markets.

All this might lead you to think that the time to buy has passed. Certainly, the performance of the French stock market over the last year has been impressive - the benchmark CAC-40 index is up 10.78 per cent over a year.

Meanwhile, the performance figures of UK funds investing in the area look very respectable. INVESCO French Growth, the longest established unit trust investing exclusively in France, leads the European sector over a year with growth of 13.88 per cent. Over three years it is 13th, with 24.89 per cent growth. Le Fond Français, now owned by Providence Capital and man-

aged by Wargny, the long-established French broker, has grown 16 per cent this year.

It sounds as though a lot of good news is already in French prices. However, optimism among fund managers remains high. Interest rates have much to do with this. Real interest rates (compared with inflation) of more than 6 per cent are rare, and suggest that there is scope for substantial fiscal easing. This ought to be good news for equities, and also for strong capital growth in bonds. Not only will companies be more free to raise finance. At present about FF1,000bn is tied up in cash mutual funds, thanks to the attractive rates offered. This is roughly half the total capitalisation of the stock market. Once money market rates fall, analysts expect a significant flow of funds into equities, which will act as a stimulus.

Yet more liquidity could come from a projected new tax relief for small savers, the Plan D'Epargne Actions (PEA), which would offer hefty concessions on equity investments provided they were held for at least six years. Jean Legros, of Mercury, thinks this could



Paris: popular with the shoppers, what about investors?

have a big impact on the market although other managers, such as Rory Powell of Invesco MIM, are more cautious.

The US economy is another important factor. Many of the largest French companies have heavy exposure to American markets. So their corporate earnings should receive a significant boost when - and if - American consumers start buying again.

Many forecasts for corporate earnings are bullish - Invesco is predicting growth of "at least 15 per cent, possible closer to 20 per cent, for the next year. If this is right, then market valuations are attractive. In spite of the market's relatively low yield and recent price rises. And given the current lamentably high level of unemployment - more than 9 per cent - the room for growth is evident.

So, in which sectors are managers investing? Legros has aimed for cyclical and companies with heavy exposure to the US. That includes Michelin,

the largest tyre manufacturer in the world, which is ideally placed for a pick-up in the US, and Rhone-Poulenc, a consumer credit company, which would leap on any base rate cut as an opportunity to increase margins.

Powell is adopting an almost identical strategy for Invesco, concentrating on US-exposure stocks, cyclical, and companies which can benefit from rationalisation. Powell is also heavily invested in Michelin and Rhone-Poulenc, but also in St. Gobain, which is well-placed to benefit from a revival in the US construction industry. He has now started to move into medium-sized and smaller companies.

So, it might be time for a dose of extended *extensive cordiale*. As the current spate of investment trusts demonstrates, UK managers seem finally to be aware of the opportunities available across the Channel.

John Authors

## FACTFILE: France



Population:	66.7m
Gross Domestic Product:	£874.05bn
Market Capitalisation:	£174.755bn
Yield on the Market:	3.25 per cent
Three-month Interbank Rate:	9.97 per cent
Currency & Exchange Rate:	FF14 FF/\$9.86

## Budget points enacted

THE Finance Bill (number 2), enacting many of the proposals put forward in the Budget by Norman Lamont, was published this week.

Most Budget measures have already gone through, either as a result of Treasury Orders or the pre-election Finance Act, which was given Royal Assent on March 16. That enacted the new 20 per cent income tax rate on the first £2,000 of taxable income. The new Bill deals with those measures which the government did not have time to pass through the Commons before the election.

These measures include:

- **Inheritance tax.** Lamont raised the threshold to £140,000 from £140,000 on April 6, in line with inflation. However, he wanted to increase the tax benefits over and above inflation to £150,000. The £140,000 threshold took effect from April 8; provision for the remaining £3,000 increase is now included in the Bill.

Lamont also proposed the exclusion of certain business assets and farmland from IHT. They include businesses owned by a sole trader, partnership shares and large minority shareholdings in unquoted trading companies. The measure will take retrospective effect from March 10 if the Bill passes through parliament.

■ **Married Couple's Allowance.** This allowance, which has not been raised from its pre-Budget level of £1,730, is paid to the husband in the vast majority of circumstances. Lamont proposed that married couples should be allowed a choice in the manner in which it should be allocated. Wives can opt to have it paid in its entirety to them, or it can be split. If no action is taken, it will go to the husband. This is an uncontroversial clause and the Finance Bill sets out the arrangements with effect from April 6 1993.

■ **Gift Aid.** Those wanting to give to charity under the Gift Aid scheme qualify for tax

relief if a minimum of £800 is given. Lamont proposed reducing the minimum limit to £400 - a measure now registered in the Finance Bill and which should come into effect from July 1. Gifts would be treated as net of basic rate tax. A top rate taxpayer giving £400 could reclaim the 15 per cent difference (£79.98) between basic and top rates. The charity could claim tax relief at 25 per cent (£133.33). So, Gift Aid enables a top-rate taxpayer to give £583.33 to charity for a net outlay of £340.01.

■ **Business Expansion Scheme.** The chancellor proposed ending tax relief under the BES with effect from the end of 1992. Under the BES you could invest a maximum of £40,000 to receive a rebate of 40 per cent of the amount invested as long as this was maintained for five years.

Scheherazade Daneshkhu

## The British Investment Trust PLC.

The British Investment Trust aims to achieve long term capital growth from a portfolio of international investments and secure for shareholders regular increases in dividend.

## Company Year-End Financial Highlights

and 31st January (unaudited)

Net Asset Value

Per Share

Ordinary Shareholders' Funds

Dividend Per Share

To: The Secretary, The British Investment Trust PLC,  
4 Midville Crescent, Edinburgh EH3 7JB, Member of IMMO.

Please send me a copy of the 1992 Annual Report.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Postcode \_\_\_\_\_ FT 23582

**Edinburgh**  
FUND MANAGERS PLC.

Please note that past performance is not necessarily a guide to future performance and that the value of shares and income therefrom can fluctuate, so that investors may not necessarily get back the amount invested.

## BEST RATES FOR YOUR MONEY

Account	Telephone	Notes/terms	Minimum deposit	Rate	Int. paid
<b>INVESTMENT A/Cs and BONDS (Gross)</b>					
Co-operative Bank	0345 252000	Instant	£1	9.50%	Mly
Scarbrough BS	0800 590578	Instant	£1,000	10.40%	Mly
Bradford & Bingley BS	0345 247247	Instant	£10,000	10.85%	Mly
Nationwide BS	0793 894465	2 Year	£10,000	12.30%	Mly
<b>TESAS (Tax Free)</b>					
Allied Trust Bank	071 628 0879	5 Year	£9,000	13.24%	Mly
National Counties BS	0372 742211	5 Year	£3,000	12.00%	Mly
Exeter Bank	0382 50635	5 Year	£250	11.50%	Mly
West Bromwich BS	021 525 7070	5 Year	£150	11.80%	Mly
<b>HIGH INTEREST CHEQUE A/Cs (Gross)</b>					
Caledonian Bank	HICA 031 536 6255	Instant	£1	9.50%	Mly
UDT	Capital Plus 0734 500411	Instant	£1,000	10.40%	Mly
Cheltenham BS	Classic Postal 0242 521391	Instant	£10,000	10.00%	Mly
Portman BS	Prestige Cheque 0800 373176	Instant	£50,000	10.75%	Mly
<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woolwich (Guernsey) Ltd	Intl Gross 0481 715735	Instant	£200	9.50%	Mly
Yorkshire Guernsey BS	Key Ninety 0481 719888	90 Day	£50,000	10.75%	Mly
Yorkshire Guernsey BS	Key Extra 0481 721546	180 Day	£50,000	11.35%	Mly
Bristol & West Intl Ltd	The Intl Premier 0481 720603	6 Mths	£25,000	10.90%	Mly
C&G Channel Islands Ltd	Guernsey Bond 0481 715422	1 Year	£10,000	10.30%	OM
<b>GUARANTEED BROKER BONDS (Net)</b>					
Consolidated Life FN	081 940 8343	1 Year	£2,000	8.30%	Mly
OC Assurance FN	No direct sale 0800 521546	2 Year	£5,000	8.30%	Mly
Prosperity Life FN	081 940 8343	3 Year	£15,000	8.45%	Mly
Consolidated Life FN	081 940 8343	4 Year	£2,000	8.15%	Mly
Hill Samuel FN	081 885 4355	5 Year	£5,000	8.40%	Mly
<b>NAT SAVINGS A/Cs &amp; BONDS (Gross)</b>					
Investment A/C		1 Month	£5	8.50%	Mly
Income Bonds		3 Month	£2,000	10.25%	Mly
9.25% wef 18.6.92					
Capital Bonds D		5 Year	£100	10.75%	OM
<b>NAT SAVINGS CERTIFICATES (Tax Free)</b>					
37th Issue		5 Year	£25	9.00%F	OM
5th Linked		5 Year	£25	4.50%	OM
Childrens Bond B		5 Year	£25	10.94%F	OM

After 6 month qualifying period. This table covers major banks and building societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed - Fixed Rate (all other rates are variable) OM - Interest paid on maturity. M - Mtd Rate. S - Bond. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Withdrawal Rates, Stamp Duty, etc. Readers can obtain a complimentary copy by phoning 0800 923626.

## The Week Ahead

A FIRST profit contribution from the US should help Body Shop International, the eco-friendly retailer of beauty products, to a 25 per cent-plus increase in pre-tax profits. A figure of £25m to £26m is expected when the full-year results are announced on Wednesday. With UK growth limited by recession, the turnaround in the relatively new US chain will be a critical factor alongside continued progress on the continent.

Carlton Communications, the television and television services group, is expected to announce a modest increase in interim pre-tax profits on Wednesday. Analysts are predicting around £48m, which

suggests that Carlton has still been suffering from recession. The £46.3m figure last year was nearly 30 per cent down on 1990.

When MEPC, the UK's second largest property company, reports its interim results on Thursday, attention will be focused on its development programme, which is the largest in the sector.

Analysts will be particularly keen to hear of any progress in letting Alban Gate, the largely empty office block straddling London Wall in the City. The pre-tax profits for the half year to March 1992 are expected to be around £63m, down from £67.4m a year ago. Although the rental income is likely to

rise, this will be offset by an increase in financing costs as the company reduces the proportion of capitalised interest associated with development properties.

On the same day, Thorn EMI is expected to report annual pre-tax profits slightly down from last year's £258.6m to about £255m, although they could fall as low as £240m. Recent acquisitions - the half of Chrysalis Records which Thorn did not already own, Remco America, and Virgin Music Group, this latter only acquired at the beginning of March - will probably have boosted the pre-tax line, though earnings are likely to be down around 10 per cent.

## CORPORATE GOVERNANCE

The FT proposes to publish this highly topical survey on

June 3 1992.

The governance of publicly-owned companies has become a major business issue in recent years. This survey will be seen by 54% of Chief Executives in Europe's top companies. If you wish to reach this important audience, call Sara Mason on 071 873 3349 or fax 071 873 3064 for advertising details.

Data source: Chief Executives in Europe 1990.

FT SURVEYS

## COMPANY NEWS SUMMARY

## TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share	Market price	Price before bid	Name of bid	Blender
Prices in pence unless otherwise indicated					
BHH	36	35	34	21.34	MI Group
Cornhill	45	45	29	7.31	AFE SA
Dovly	184	178	145	457.80	TI Group
Mid	140	127½	127½	20.18	Barlo Group
Microtec	151	140	113	20.07	Magilla
Midland	411	401½	372	3.23	HSEB
Morland	477	469	448	101.3	Greene King
Pearcy & Giles	378	364	235	35.47	Sowthorpe
Woolstar	225	223	188	60.50	Robert Bosch

All cash offers. Offer alternative, offer capital not already held. Unconditional. Based on 2.30 pm prices 22/5/92. 99 shares a cash.

## PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividend per share (p)
Abstract New European	Feb	201	(873)	(1.04)
ACT Group	Mar	17,000	(12,700)	10.6
Airflow Steamlines	Feb	87	(1,220)	0.07
Allied Lyons	Mar	810,000	(476,000)	41.0
Apply Westward	Mar	1,549	(2,000)	20.7
Argyll Group	Mar	364,500	(250,000)	24.2
Baris Hodge	Feb	948	(1,230)	-
Berry Birch & Noble	Jan	816	(628)	10.0
Britann Airways	Mar	285,000	(130,000)	35.3
BT	Mar	3,073,000	(3,073,000)	32.2
Chamberlain & Hill	Mar	1,430	(1,660)	13.26
Chatterfield Props	Dec	6,850	(12,780)	12.0
Cook (William)	Mar	4,750	(12,200)	18.0
Corporate Services	Dec	2,130	(813)	-
Courtside	Mar	201,400	(166,300)	36.3
Crid	Mar	882	(411)	9.1
Edios	Dec	389	(81)	1.1
Ferguson Int'l	Feb	6,620	(11,800)	13.6
F&C German Inv	Mar	527	(510)	0.82
German Inv Tel	Mar	2391	(3,141)	0.6
Govett Amer Ende	Mar	6,820	(5,000)	12.5
GPC	Mar	2,380	(3,400)	-
Hospital Corp Int'l	Dec	21,400	(113)	1.1
Impire Thorough	Dec	255	(1,880)	1.1
Int'l Inv Tel Jersey	Mar	480	(580)	12.1
IRG	Dec	2,200	(2,300)	12.2
Jackson Group	Jan	1,630	(837)	4.8
Jarvis Porter	Feb	2,700	(2,260)	8.8
Jermyn Investment	Dec	773	(1,288)	-
Land Securities	Mar	227,500	(215,200)	32.8
London & Overseas	Mar	2,870	(2,640)	11.9
Marlin Centre Euro	Apr	187	(482)	0.32
Merchant Retail	Mar	1,120	(3,370)	1.34
Mifflin Group	Dec	307	(10,750)	-
Ocean Wilsons	Dec	4,190	(4,410)	4.6
Palm Group	Jan	270	(1,000)	-
Phys	Mar	9,470	(7,520)	13.9
Proving	Feb	17,080	(1,550)	-
Quadrant Group	Feb	1,410	(2,780)	8.87
Railton Int'l	Mar	802	(613)	1.57
Rea Holdings	Dec	1,230	(1,230)	4.1
Readout Int'l	Mar	13,500	(12,100)	4.79
Shires Inv	Mar	5,640	(5,190)	18.0
Sketchley	Mar	6,020	(8,260)	7.8
South Star Water	Mar	8,740	(6,330)	148.0
Stadium	Mar	15,800	(6,200)	2.6
Stratton Int'l	Mar	405	(444)	2.38
Tullow Oil	Dec	54	(1,950)	1.1
Wardell Roberts	Mar	2,420	(2,880)	8.4
Westbury	Feb	15,100	(8,120)	14.1
Whitbread	Feb	232,100	(261,500)	35.8
Wood (John) Group	Dec	16,900	(8,500)	-
York Waterworks	Mar	2,080	(2,110)	20.7
Young's Brewery	Mar	5,880	(5,040)	27.5

## INTERIM STATEMENTS

Company		Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Albion	Mar	328	(368)	1.2 (1.2)
Alexanders Hodge	Mar	408	(207)	- (-)
Anglo Irish Banks	Mar*	3,220	(3,220)	1.38 (1.38)
Apollon Hotels	Mar	711	(840)	1.15 (1.16)
Automatic Hodge	Jan	458	(1)	- (-)
Baggeridge Brick	Mar	761	(1,070)	0.75 (0.75)
Barrett (Henry)	Feb	2,200	(1,222)	- (-)
Beech	Apr	271,000	(225,000)	5.85 (4.88)
BOC Group	Mar	162,700	(144,700)	11.0 (10.2)
Capital Radio	Mar	4,110	(5,010)	1.78 (1.78)
Commercial Union	Mar*	18,200	(24,200)	- (-)
Compass Group	Mar	17,000	(15,500)	4.18 (3.88)
Concorde	Mar	3,520	(2,020)	3.84 (3.54)
Countryside Progs	Mar	2,040	(3,080)	1.4 (1.4)
Doherty Park	Mar	6,200	(6,500)	1.9 (1.8)
Drayton Consolidated	Mar	3,680*	(5,050)*	4.28 (4.28)
Dumfries Workhouse	Mar	1,700	(2,150)	2.4 (2.4)
Ferry Pickering	Feb	577	(1,200)	2.1 (2.1)
Garmonna Europe	Mar	161	(1,435)	- (-)
Holmes & Milner	Mar	748	(1,740)	(3.3) (3.3)
IAMS Group	Jan*	880	(94)	1.0 (1.0)
Kimick	Mar	5,800	(1,200)	- (-)
Leeds Group	Mar	2,610	(5,870)	3.5 (3.0)
Milnig & Allied	Mar	12	(161)	- (-)
Racing Hotels	Feb	45,500	(75,400)	3.82 (3.82)
Sedgwick Group	Mar*	41,650	(42,000)	- (-)
Shafesbury	Mar	2,300	(5,850)	1.4 (1.4)
Tussock Group	Mar	2,550	(2,190)	2.26 (2.16)
Unilever	Mar	5,770	(358,000)	- (-)
Whitcomb	Mar	3,700	(3,090)	2.2 (2.0)
Willis Corporation	Mar*	43,800	(44,000)	- (-)
Y&A-TV	Mar	8,380	(60,000)	3.3 (3.3)
Young & Rubicam	Mar	427	(377)	1.7 (1.7)

## FINANCE AND THE FAMILY



## Why the Germans fight shy of shares

A STORY is circulating in German financial circles about Chancellor Helmut Kohl's first visit to the Frankfurt Stock Exchange in January this year.

Shortly before he gave a stirring speech to the flower of Germany's business community, the Chancellor was chatting with Rüdiger von Rosen, the exchange's managing director. The conversation turned to the German people's reluctance to invest in shares. "Why is it," Kohl is reported to have wondered, "that we Germans are more than happy to invest in big cars, nice houses and long holidays - but we never buy any shares?"

Kohl is not alone in being nonplussed at this eccentric aspect of the German character. Normally patriotic and hard-headed, Germans have denied themselves the opportunity to invest profitably in their own successful economy. Germans avoid investing their copious surplus cash in shares and much prefer buying government securities - "even though they know they will make much more money owning shares rather than bonds", as von Rosen puts it.

As a measure of this, the value of Germans' investments

in bond funds was DM102bn last year - a five-fold increase since the beginning of the 1980s. The comparable figure for equity unit trusts was DM20bn, not much more than double the DM8bn it was ten years ago.

This is in spite of the fact that the average gross annual return on bonds was 8 per cent a year during the 1980s, compared with 14 per cent for equities. DM10,000 (£3,400) invested in the DAX index of 30 leading shares at the beginning of the 1980s would now be worth DM33,400 (£11,380). If the same amount of money were invested in Bunds, it would now be worth DM21,600 (£7,347). The net return for equities was even higher, as investors do not have to pay capital gains tax on equities if they hold them for more than six months.

In total, there are only about 4.2m shareholders in Germany - just over 5 per cent of the population - compared with 12m shareholders in the UK and 51m in the US - 21 per cent of the population in both cases.

So why are Germans so shy of buying shares? Here are a few reasons for the lack of an equity culture in Germany:

■ An aversion to the

rough-and-tumble of the equity markets - and by extension to speculation and financial excesses of any kind - is deeply ingrained in the German psyche, probably due to folk memories of the great inflations of the 1920s and the political consequences.

"Germans are not... at ease with the equity market," says Christian Strenger, until recently with the Deutsche Bank in New York and now head of the Frankfurt-based Deutsche Gesellschaft für Wertpapiere, Europe's largest retail fund manager, with DM50bn under management. "They like it when it goes up but their tolerance level is low when it goes down."

"If someone in the US buys a share and it doesn't work out, he says to himself, 'OK, too bad.' He sells the stock at a loss and makes a new investment. Here people sit and suffer. They hate to lose and are not very mobile when compared with US investors."

■ The concept of "shareholder value" - of managing a business for the benefit of shareholders - is rare. German law requires that managers put the interests of the "company" - difficult to define - ahead of those of other parties. It is against the law to put the

shareholder first.

Hostile takeovers are virtually unheard of. Management performance is never subjected to the judgment of the market - unlike in the UK or the US where managers live in constant fear of being dislodged by a bidder if they do not deliver. German managers have no great incentive to raise share prices, and shareholders can never benefit from takeovers.

The German stock market plays a limited role in German corporate life. Only about 800 companies have a listing and all but around 50 of these are controlled by family shareholders or the big German banks and insurance companies. Companies rarely turn to the stock market for funds, relying on their commercial banking relationships instead.

■ Domestic institutional investment in equities - from pension funds and insurance companies - is not well developed. For example, Germany's colossal insurance companies have an average of between 5 and 16 per cent of their reserves invested in shares, and the rest in government bonds. This is the opposite of the situation in the UK and US and hinders the development of liquid equity markets.

■ Germans have been put off buying equities as a result of a spate of insider dealing cases and other murky goings-on in the Frankfurt stock market (the biggest by far of Germany's six exchanges) last year.

Partly as a response to last year's scandals, the German financial establishment has embarked on a big "clean-up." Insider dealing is to become illegal (it is not at the moment) and a tough new regulatory regime is planned for the end of the year.

These initiatives are targeted primarily at international institutional investors and are designed to make Frankfurt more competitive with London as a financial centre. However, they are also likely to attract private individuals back to the market.

In the short term, Germans are likely to shun equities and continue investing in holidays, big cars, bonds - and bank accounts. German interest rates are at historically high levels and German investors prefer to take no risks - they just leave their money in the bank.

David Waller

## Be wise about warrants

SOPHISTICATED private investors might be tempted by the world of warrants. But they should understand the risks.

A warrant is rather like an option - it gives the right to buy shares at a given price (called the exercise, or strike price) at some future date (or dates). If the share price rises substantially above the exercise price, then the warrant holder can make a substantial profit, either by selling the warrant in the market or by exercising it and buying the shares at a low price.

However, if the share price falls to rise above the exercise price, the warrant will expire worthless. In other words, warrants are highly geared investments.

Most warrants are issued by companies as a "sweetener" linked to some other capital-raising issue. In Japan, for example, many companies issued bonds with equity warrants attached in the late 1980s. By offering the sweetener, the company was able to achieve a lower interest rate on the bond issue.

The UK warrant market is small by international standards. James Capel calculated that, at the end of 1991, the market capitalisation of UK equity warrants was under £700m; compared with \$8bn (around \$5bn) in Japan.

One group of companies which has issued warrants is investment trusts, which use them to get round a new issue problem. Most investment trusts trade at a discount to their net asset values; thus a new trust has a difficulty - why should investors pay full value for shares which will quickly drop to a discount?

By offering a warrant "for free", trust promoters hope that the value of the warrant will offset the potential discount and thus persuade investors to buy shares.

Those who have acquired warrants via a new issue can treat them as a bonus. But things are different for investors who want to buy them in their own right.

In some ways, warrants are rather like the capital shares of

split level investment trusts. River & Mercantile's guide to split capital investment trusts issues a double warning. Warrants will rise faster than capital shares in rising markets and fall further in declining markets. In addition, investment trust warrants can be difficult to buy or sell, and the spread between buying and selling prices can be large, making dealing costly.

In the non-investment trust world, the most notable warrants are those issued by four FT-SE 100 companies: BTR, Eurotunnel, Hanson and BP.

Valuing a warrant is a complex process. There are three key components:

■ Time. The longer it is before the warrant expires, the greater the chance that exercise will become profitable. Thus the price of the warrant needs to be higher.

■ The relationship of the exercise price to the current share price. If a company's share price is 150p, then a warrant enabling the investor to buy shares at 100p is obviously worth at least 50p. Such a warrant has "intrinsic value" and is described as being in-the-money. If the share price is 80p, then the warrant has no intrinsic value and will be a lot cheaper.

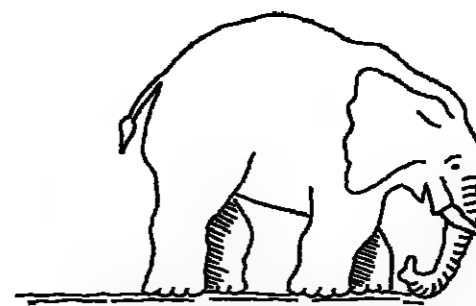
■ Volatility. The more erratic the company's share price movements, the greater the chance of warrant exercise being profitable at some point. Hence a warrant relating to a more volatile share will be more expensive.

The investor must also allow for other factors. Warrant holders do not receive the dividends payable to ordinary shareholders; conversely, since a warrant is less expensive than the underlying share, the cash outlay for buying a warrant is lower. As a consequence, James Capel says, when interest rates rise, warrant values should rise; and when dividend yields increase, warrant values should fall.

All these elements can be bewildering for the private investor, and the advice of a stockbroker is essential.

Philip Coggan

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\*Source: Premier Unit Trust Brokers-unit trust income funds survey, March 1992.

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## FINANCE AND THE FAMILY

Diary of a Private Investor/Kevin Goldstein-Jackson

## Buy and sell on the Bulletin Board

**W**HAT DO the Chepstow Racecourse Company, Hartlepool's Water Company, Kidong Estate, Inch Kenneth Kajang Rubber, Padang Senang Holdings and Stavert Zigomala all have in common - apart from me not having shares in any of them? The answer is that all are included in the stock exchange's new Bulletin Board service.

Last September, I wrote about my difficulties in trying to buy and sell shares in a number of companies where turnover was not high, and I suggested setting up a service where private investors could advertise their requirements. This, I felt, would help to improve turnover in the shares of many companies where deal-

ings were few and far between and/or happened only in very small parcels.

Bulletin Board was introduced on April 27 and it goes a long way towards meeting my proposal. Around 120 UK-listed and USM company securities are included in the service, which aims to "provide a centrally-focused market creating a more efficient, flexible and low-cost environment in which to trade. It will also provide for greater market visibility for those securities for which no continuous two-way prices on SEAQ (stock exchange automated quotation system) exist."

The exchange's Topic information system, used by all UK brokers, now has a special Bulletin Board section on which member firms can display their

purchase or sale requirements for shares in the companies involved. For example, suppose a private investor, while reassessing his portfolio, finds a share certificate for a company he had forgotten about, or one in which shares had been traded in comparatively small numbers only. He can now ask his broker to see if the company is featured on the Bulletin Board.

If it is, the Topic screen pages will list various details, such as its approximate free-market capitalisation as a percentage of the shares issued; the expected dates of announcements of final and interim results; the after-tax profits; and the volume of shares traded in the previous 12 months. The screen pages will also display details of the

past 10 trades executed in that stock - including the date, price and quantity for each of them - and it will identify the member firms that were a party to the trades.

Armed with this information, the investor and his broker can make a decision more easily about selling an existing holding or increasing it. Either way, the broker can enter onto the screen either a firm or an indicative order, or both.

To ensure the system works fairly and efficiently, the stock exchange has appointed a controller to the Bulletin Board, and all trades using it must be reported to the controller within three minutes of trading.

There are many other rules and regulations; to make sure brokers are aware of them, the

exchange has issued a 16-page guide for users.

As a private investor, I have for years included holdings in small companies as a significant part of my share portfolio. The risks are greater but so, too, can be the rewards. Small companies are, for example, much more likely to double profits in a year than others the size of, say, GEC.

The Bulletin Board service is still in its infancy but trade is encouraging. In its first week, 86 securities were advertised, with 78 firm orders and 29 indicative orders. These resulted in 35 actual trades taking place, with a total value of £289,302. For the period May 11-15, there were again 86 securities advertised, but there were 46 trades with a total value of £264,397.



It is important to remember that caution is required: not all the companies included on the Bulletin Board have shares worth buying. But the stock exchange is to be congratulated on trying to open up the market and, as the service becomes more widely known and used, there should be increased benefits to investors.

## Directors' Transactions

**THREE WEEKS** ago, we believed it was too simplistic to say directors were selling just because shares were overvalued. To some extent that still holds good, but there is some evidence to suggest the recovery in certain sectors has been more than discounted in present share prices.

One such area is building materials. Directors of Istock Johnson, the brick manufacturer, have been heavy sellers since July last year. The chairman, Paul Hyde-Thompson, made sales totalling 539,000 shares at prices ranging from 51-94p.

The selling stopped in December when the share price fell to around 60p, but recently

Hyde-Thompson made another significant disposal. His residual holding has been reduced to 128,000.

Istock appears to be one of those companies where the share price is virtually unaffected by directors' sales. Five directors sold shares recently, but the previous co-ordinated sales have been shrugged off by the market.

William Baird, the textile group, has enjoyed a tremendous run since the announcement of results at the beginning of April. John Jackson has taken advantage of that rise to sell 513,000 shares at 255p, leaving him with 1.6m.

Angus MacDonald, Director Ltd

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Arjo Wiggins Appl	Pack	5,515	15	1
Baird (William)	Text	513,342	1,360	1
BM Group	EngG	72,255	280	1
Bocker	FoodA	8,000	37	1
BTR	Chil	70,000	341	1
Clarke T	Elec	12,170	12	1
Eurotherm Int	EngG	6,000	24	1
Gresham Telecomm	EngG	400,000	40	1
Haemoco	Pharm	12,000	17	1
Heaven Stuart	CAC	14,700	18	1
Hunting (conv ord)	EngG	22,000	21	1
Istock Johnson	Brick	539,000	147	1
Istock	Misc	23,500	78	1
Kingfisher	Stor	168,739	911	1
Life Sciences	Pharm	152,563	272	1
Logica	EngG	100,000	228	1
Low & Bonar	Pharm	23,076	72	1
Macallen-Glenlivet	Brew	25,000	46	1
McKeechle	Chil	25,000	88	1
Peerson	Med	20,000	173	1
Record Holdings	EngG	250,000	258	1
Senior Engineering	EngG	701,627	288	1
Smith & Nephew	Pharm	104,000	170	1
UDO Holdings	Misc	11,900	30	1
Wetmoughs (Higgs)	Med	9,300	41	1
<b>PURCHASES</b>				
Aberdeen Trust	Chil	59,000	35	3
Abercorn Spill	Pharm	99,000	100	1
Alexandra Workwear	Text	20,000	21	1
BM Group	EngG	20,198	73	1
Bedford (Wm)	n/a	200,000	45	1
Cardiff Property	Prop	11,020	18	2
Gresham Telecomm	EngG	340,000	34	1
Hedleigh Ind	EngG	28,500	16	2
Hunting	EngG	11,250	20	1
MAI	Chil	10,000	12	1
Merchandise Trust	INT	5,000	11	1
Tomkins	Chil	57,248	181	1
Tric Inv Trust	INT	20,000	10	1
Wilton Inv Trust	INT	15,158	25	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options ("I" 100% subsequently sold, with a value over £10,000, information released by the Stock Exchange 11-16 May 1992).

Source: Directors Ltd, Edinburgh

## A CGT ready reckoner

**THE TABLE**, right, shows capital gains tax allowances for assets sold in April 1982. To use it, multiply the original cost of the asset by the figure shown for the month in which you bought it.

If you subtract the result from the proceeds of your sale, the difference will be your taxable gain or loss.

Suppose that you bought shares for £5,000 in February 1985 and sold them in April 1982 for £14,000. Multiplying the original cost by the February 1985 figure of 1.510 gives a total of £7,550.

Subtracting that from the proceeds of £14,000 gives a gain for tax purposes of £6,450 - which is below the 1982-83 £5,800 capital gains tax allowance. If you realised no other gains during the year, the profit should be tax-free.

If you are selling shares bought before April 6 1982, you should use the March 1982 figure.

Philip Coggan

CGT Indexation allowances: April					
Month	1982	1983	1984	1985	1986
Jan	—	1.680	1.596	1.522	—
Feb	—	1.673	1.592	1.510	—
Mar	1.747	1.670	1.587	1.496	—
Apr	1.713	1.647	1.566	1.464	—
May	1.701	1.640	1.560	1.458	—
Jun	1.696	1.636	1.556	1.455	—
Jul	1.695	1.627	1.553	1.457	—
Aug	1.686	1.620	1.548	1.454	—
Sep	1.696	1.613	1.540	1.454	—
Oct	1.687	1.607	1.531	1.452	—
Nov	1.679	1.602	1.526	1.447	—
Dec	1.682	1.597	1.527	1.445	—
1986	1.442	1.388	1.344	1.250	—
Jan	1.437	1.382	1.338	1.242	—
Feb	1.435	1.380	1.333	1.236	—
Mar	1.421	1.363	1.312	1.214	—
Apr	1.419	1.362	1.307	1.207	—
May	1.419	1.362	1.302	1.203	—
Jun	1.423	1.363	1.301	1.202	—
Jul	1.418	1.359	1.298	1.199	—
Aug	1.412	1.355	1.290	1.190	—
Sep	1.410	1.349	1.288	1.181	—
Oct	1.398	1.342	1.282	1.171	—
Nov	1.393	1.344	1.258	1.168	—
Dec	1.393	1.344	1.258	1.168	—
1980	1.182	1.086	1.024	—	—
Jan	1.155	1.080	1.016	—	—
Feb	1.143	1.066	1.016	—	—
Mar	1.110	1.049	—	—	—
Apr	1.100	1.040	—	—	—
May	1.096	1.035	—	—	—
Jun	1.095	1.037	—	—	—
Jul	1.084	1.035	—	—	—
Aug	1.078	1.031	—	—	—
Sep	1.066	1.027	—	—	—
Oct	1.068	1.024	—	—	—
Nov	1.069	1.023	—	—	—
Dec	1.069	1.023	—	—	—

Source: Inland Revenue

## Funds head into Europe

**W**HILE the House of Commons debated the Maastricht treaty this week, two fund managers announced that they would plunge into Europe by launching investment trusts.

Many thought that the time for investment trust launches had finished after the spate of new issues to take advantage of the personal equity plan rules at the end of the 1991-92 tax year. But Europe is now established firmly as the most popular global sector for new investment, thanks to Japan's difficulties and widespread sentiment that the US market is now overpriced.

Henderson is launching Henderson EuroTrust, which is aiming to raise at least £20m. Its portfolio will hold mainly blue chip companies and it will aim for both growth and income, filling what the company sees as a gap in its investment trust range. To achieve this, it will have a minimum holding in bonds of 15 per cent, and can invest up to 10 per cent of its assets in derivatives. This will allow it cheap exposure to growth stocks.

It will have a split capital structure, with 76 per cent

ordinary shares and 25 per cent in zero-dividend preference shares. Zeros are still popular and this structure will, Henderson hopes, stop the shares from moving to a discount to net asset value.

The company has a two-year life until October 2002, when the zero shares will be redeemed at 70p. This is equivalent to a gross redemption yield of 10.2 per cent. Projected initial gross yield on the ordinary shares is 5 per cent.

During the launch, only packaged units, consisting of one ordinary share and one zero at a price of £1, will be available. Total launch expenses have been fixed at 4.5 per cent, with an annual management fee of 0.85 per cent.

Gerrard Vivian Gray is sponsoring the issue.

The prospectus will be available on June 8 and applications for personal equity plans will close on June 23. The offer closes on June 30, with dealings in the shares starting on July 6.

Thornton Investment Management is, even more ambitiously, seeking to raise £100m via an international placing for its European Smaller Companies trust. Fund management will be conducted jointly by

Thornton in the UK, Banque Nationale de Paris in France and Dresdner Bank in Germany, and management will be devolved to the three countries. UBS Phillips & Drew is the sponsor. Thornton hopes that close contact with the markets involved will help to deliver performance in an area where stock-picking is particularly important.

It will qualify as a UK investment trust but will also be listed on the Paris and Frankfurt stock exchanges. Stock will be distributed in 25 "units" consisting of five ordinary shares and one warrant, and investors will also be allowed to subscribe in German or French currency at a "comparable" price.

Peter Walker, the former cabinet minister and chairman of Thornton, said the fund would aim to take advantage of the establishment of the EC single market and the reconstruction of eastern Europe.

According to the provisional timetable, the offer for subscription will open on June 15 and close on July 7, with dealings starting on July 14.

John Authers

## Owners undivided

**I OWN THE** freehold of the house and would like a friend of mine to have the top floor under some arrangement that would give him a stake in the house. I am reluctant to convert the house into two flats.

Would it be possible to assign to him tenants-in-common rights to the top floor? This would be for a sum of money, to be agreed.

You cannot effect a tenancy in common which physically partitions the property. The interest of each tenant in common has to be in the whole property.

There is something I can do other than taking court action to protect my property?

My wife and I are thinking of writing our wills. Should we both be involved in an accident - an air crash - and were both found dead, would one be presumed to have died before the other? If so, which one? What happens if we are both involved in the same accident and one dies, and the other is injured and dies later - would death be presumed to have happened at the same time as the deceased partner? If not, and the will of the first dead left all to the second, would this happen as per the will?

Under current legislation where deaths are simultaneous or the sequence is unknown the younger is deemed to have survived the elder, save that on intestacy the estate of each falls to be distributed as if the other had not survived. If it is known that one survived the other, the normal rules of distribution of estates would apply, i.e. the survivor's estate takes any gift which the will of the first to die (or his or her intestacy) gives to the survivor.

## Root of the problem

**THREE YEARS** ago I made a claim on my insurance for house subsidence. The insurance experts traced the cause to a large oak tree on adjacent land owned by a petrol company. This company was asked to cut the tree down but countered that the cracks were due to faulty construction.

After repair to the house, the insurer paid for a 6ft deep

concrete barrier. The land on the outside of the barrier has subsided, leaving a huge gap. Fortunately, no further movement has taken place at the wall of my property.

New oaks are growing closer to my fence, and I am worried that these may overcome the barrier. The gap itself is unsightly, and even if it is filled, new ones will develop.

I have tried to contact the company to ask it to cut the trees or let me cut them, but the department managing the land is difficult to contact and, in view of the original attitude, I expect no action.

Is there something I can do other than taking court action to protect my property?

Your only recourse would be to seek an injunction to restrain the continuance of the nuisance caused by the tree roots including, if necessary, an injunction based on the reasonable apprehension that a nuisance will arise in the future. The company can be contacted through its registered office, but unless it proves willing to co-operate, a court order is the only route to achieve what you require.

## Q&amp;A BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

tered office, but unless it proves willing to co-operate, a court order is the only route to achieve what you require.

## CGT on two houses

**IN 1980** I bought a property to provide a home for my mother, taking out a loan of £12,000. At that time I owned no other property, but in 1984 I bought a home for myself with a separate mortgage of £25,000.

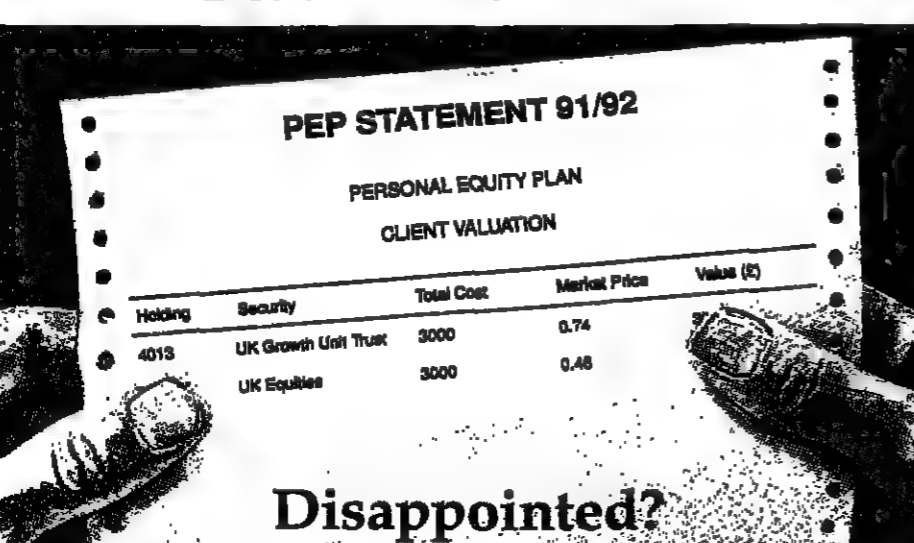
Tax legislation allows me a total £30,000 allowance on the combined loans, but I am uncertain as to the position of capital gains when, in the normal occurrence of events, I shall have to dispose of my mother's property on her death. When I took out the loan I understood that no capital gains would be payable - is this still the case? If not, is

there any action you recommend I should take now?

Provided that your mother has lived in the 1980 property continuously since March 30 1982, there should be no CGT to pay on a sale of the property within two (or maybe three) years of the day she moves out, or dies in residence.

Ask your tax office for the free pamphlet CGT4 (Capital gains tax: owner-occupied houses); the title is a little misleading.

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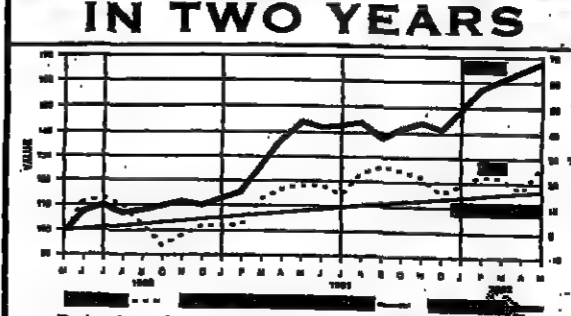
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## MINDING YOUR OWN BUSINESS



The ship's company: the Fitzcarraldo and members of Walk the Plank ready to tread the boards

## Floating a theatre company

Annie Wilson on how Walk the Plank got their financial act together and took to the sea

THE Fitzcarraldo is an iron-clad Norwegian island ferry formerly named the Bjarkov. It bears little resemblance to the 350-ton steamship Werner Herzog hauled through the jungle in his film about building an opera house in Amazonia, from which the old ferry gets its new name, except in the proportions of its voyage and the dreams which made it possible.

The ship sailed into the grey waters of Glasson Dock, just south of Lancaster, early in the New Year. The storms had been tremendous, the wait in the Caledonian Canal long and expensive, but at last she arrived to dwarf every other vessel in the marina and capture the imagination of the small fishing village. The adventure had begun.

The Fitzcarraldo is the achievement of a dream for John Wessell and Liz Pugh and their company Walk the Plank, the world's first marine theatre contractors. Their vision: to tour a theatre ship around the beaches and docks of Britain during the summer. There are two shows: one an extravagant fairy tale with a "green" environmental theme, written for them by Adrian Mitchell, the poet and playwright; the other a pyrotechnic spectacular for up to 2,000 people, combining

music, magic, drama and dance with fireworks.

The project has attracted arts departments around the coast, and the ship is booked from May to September. It started at the Brighton Festival last week and arrives in Folkestone today.

"I think people like the spirit of adventure, the romance of it appeals," says Liz. "And conventional arts departments know that people who wouldn't necessarily buy tickets for the theatre or go to an art gallery might come and see our show."

Bringing the dream to life has been hard work. Their success in selling the tour, raising a £40,000 Arts Council grant and an £80,000 bank loan secured by the Small Firms Loan Guarantee scheme — no mean achievement in the depths of recession — has been dulled somewhat by the extra costs of the delays en route from Norway and of converting the ship to UK marine specifications.

But enthusiasm has not dimmed. The bank manager was persuaded (with difficulty) to extend the loan, the decks and sides of the ship were transformed with riotous paintwork, the rear deck has been converted into a seating area for an audience of 150 and the company of performers and musicians is ready

for anything the seas can throw at it. "The project has a momentum that can't be stopped," says Liz Pugh, a former marketing and publicity officer for Manchester's Royal Exchange Theatre, the arts company Welfare State International ("engineers of the imagination"), and Barrow Borough Council.

Her experience of boats was limited to the Norfolk Broads until three years ago, when she and John Wessell bought a wooden launch which proved the starting point for the Fitzcarraldo project. They spent the summers of 1989 and 1990 touring the Scottish Islands with the Boat Band, literally singing for their supper. "That was the springboard for this idea, to expand it into a show on a ship, although it was a leap of the imagination from a 50ft boat to a 120ft ship with a 28ft beam."

For John, a builder of wooden narrow boats before a five-year stint as project director for WSL, it was a lesser leap. Having organised large, site-specific events for WSL, and experienced the immense cost of touring, he realised that keeping everything on board ship would cut costs.

As Liz explains: "Moving people and large props around is a costly process,

but on board it all comes in one little steel package: our total fuel bill for the summer is £5,000 (for 12 venues) — a fraction of the cost of bed and breakfast and transport."

"One of the disadvantages of touring Europe is the costs involved. The idea should hold good for plans to take the show abroad in future years."

Glasson Dock is a small village but it has taken Liz and John to its heart. Over the last three years the couple have turned the traditional Bonfire Night of November 5 into a community event for 1,500 people, with a children's lantern procession and a 30-strong organising committee. Word about the Fitzcarraldo project spread like wildfire. "They all knew the ship was coming because we sold them sea miles to raise funds," Liz said, "and then it took so long, two months instead of three weeks, that when it arrived it was very exciting. We were inundated with offers of anything from carpets to welding equipment, and all offers of help (there was a constant stream of willing helpers) were accepted."

Money may be tight indeed, but when the ship sailed at the beginning of May there was a distinct feeling that, if nothing else, the goodwill of the community alone would keep it afloat.

As They Say in Europe  
The Season in full bloom

COUNT Paolo Filo Della Torre has officially opened the Season, so, English society can proceed to enjoy itself.

Count Paolo is the London correspondent of the Rome paper La Repubblica, and has been in the UK since time immemorial. He must be the dandy of the foreign press corps — and possibly the only real gentleman among the lot.

Filo Della Torre was in his element on Tuesday. "Elizabeth of England, dressed in mauve, opened the Chelsea flower show, the most beautiful exhibition of flowers in the world. It has been held since 1913 in May in the park of the Royal Hospital. . . The show, together with Royal Ascot, the garden parties of Buckingham Palace, the picnics in the garden of the opera house of Glyndebourne in Sussex, the summer exhibition of the Royal Academy, glorious Goodwood and the speech from the throne in the House of Lords, provides one of the dates of the Season."

Purists may quibble with some of this, the Queen did not exactly open the show, but that hardly matters in Count Paolo's latest celebration of Englishness. It was he who published the only known *Guide to Margaret Thatcher's England*, where Finchley is, how to get to Grantham, and so on.

The flower show is placed in the fullest, and most elegant, context. Having described it as "Proustian" in atmosphere, but with no need to go 'in the search of times past', he continues: "For the English from age three to 108, flowers are an irresistible attraction. Napoleon called the British a nation of shopkeepers, but in reality they constitute a nation of gardeners, and the most fascinating and delicate of the women are known as an 'English rose', a compliment which is often directed at Lady Diana."

It may seem surprising that the paper should devote so much space to the Chelsea

flower show but there is a good reason. Count Paolo shrewdly included a list of Italian notables who were present at this august gathering. Among them were Simonetta Scalfari and Carlo Caracciolo. On investigation they turn out to be, respectively, the wife of the editor of La Repubblica and the chairman of the board.

■■■■

The delights of start of the Season are a harbinger of those of summer and the week's fine weather brought out a rash of stories on holiday themes: drought, the problems of time-sharing and motorway madness.

In reporting the findings of the French "Court of Accounts", in its investigation into the finances of the autocrats, Liberation noted the

James Morgan  
on an Italian  
fascinated by  
English roses

marvellous business opportunities offered by feasibility studies for new motorways, opportunities which only rarely involve actual construction.

In Lisieux, a series of studies had been commissioned for competing routes for the past 20 years but no decision has been reached.

The toll system is the bane of British drivers in France but now, they will be able to point to the latest report as evidence of its absurdity. Thus, Liberation notes, having once granted a concession for a toll-motorway, the local authorities are still compelled to maintain the *rouse nationale* which runs parallel in order to meet the obligation to provide a free service. The result is that the whole system seems to be bust — the paper says that the eight companies which operate it have FF112bn (£11.3bn) of debt, FF1.8bn of

capital and receipts stand at a mere FF15bn annually.

Such figures might scupper British plans for private toll roads. And revelations in El Pais could help do the same to some Spanish time-share operations.

You may have wondered what happens when Spaniards try to sell timeshares to each other. Not much, it seems — only 2,000 have invested in such projects. The account in El Pais opens thus: "Hello, I'm Pilar." And the charming señorita from one of those firms accompanies them into what looks like a bingo hall where Marlies and Manolo undergo two hours of sheer oppression."

Consumer organisations are up in arms about the system, there are no checks on the intimidatory techniques that the writer, Angeles Espinosa, alleges she found. The promoters, under Spanish law, are entitled to call a timeshare apartment the "property" of the sharers, when in fact it is nothing more than right to use someone else's property.

I had not thought of it that way before.

■■■■

"Switzerland, which one had imagined buried in cosy isolation in its Alpine treasure chest, courts the EC having allowed itself to be seduced by the IMF. The news is no more surprising than the twist taken by the debate at Westminster on the Maastricht treaty."

Margaret Thatcher may well shriek in her corner, the prime minister John Major applies with total respect the signature of his country, up to now the least 'European' of the Twelve, to the treaty which seals the political and economic union. . . . Exit the archetype of splendid isolation. . . . (Patrick Sabatier, under the headline "The end of received ideas" in Liberation.)

James Morgan is economics correspondent of the BBC World Service.



Country style: Julia Cassell at her rural headquarters with two push chairs and her pot-bellied Vietnamese pigs

## A baby boom in a barn

Hilary de Boer finds a growing business hidden down a country lane

TUCKED away on Nizels Lane, a winding country lane in rural Kent, is a 16th century little barn surrounded by cackling geese and two Vietnamese pot-bellied pigs. Three days a week, a discreet signboard is carried down to the entrance of the driveway, the only due to the bustling business going on behind closed doors.

The pastel pink and blue board tells you that the barn is home to Nippers, a novel company selling nursery goods, equipment and toys. Julia Cassell, the founder, began the business in Hildenborough nine years ago with a £500 investment, and now boasts an annual turnover of £250,000.

Cassell appears to have found the ideal growth industry. "Baby boomers" are having babies later in life, and have money to spend. Their own parents — the grandparents — also have more disposable income. Research indicates that the baby boomers' baby boom will continue for several years. And, as Cassell says: "The last thing people want to cut back on is their child."

When Cassell started Nippers in 1983 — a way of working from home part-time while her children were young — she

offered only second-hand goods. Pleasantly surprised by the demand, she decided to offer new products.

The area's high street retailers were not best pleased. "I'll close you down if it's the last thing I do," was the message from one. The local residents were not too thrilled at the idea of suppliers and shoppers trundling down the country lane — and started a petition to stop the enterprise. A further obstacle came from the nursery goods manufacturers, who were not initially interested in Cassell's "small time" venture.

Such challenges made Cassell even more determined. Spurred on by the need to pay her children's school fees, and by a burning desire to prove herself in business — having underachieved at school — she dug in her heels.

"I've chosen an interesting industry," she says. "It's a caring, nurturing one — nurturing the mother — but then I've got to get the knife into somebody the other side. It's a constant balance of being both a carer and a business person."

She has never borrowed money, with a high turnaround of stock, Nippers has always been self-financing. She has few overheads: advertising costs, employee wages and a

small mortgage taken on when she bought out her brother's share of the farm property they inherited. Her husband, Clive, who runs his own business as a quantity surveyor, helps with Nippers' administration, while brother Michael, an accountant, acts as finance director. They appear to make a good team, combining Cassell's creative flair and energy, her husband's common sense, her brother's experience.

Cassell's marketing approach is simple. Why battle the high streets when you can take a leisurely drive out to the country to the relaxed atmosphere of the barn? The children can play in the playground, the parents can try out the goods at their leisure, and the cost can be significantly lower. Cassell passes on discounts obtained from the manufacturers — for example, buying end-of-line products — and can sell prams £100 cheaper than high street competitors. Most shoppers spend £50-£60 a visit.

Nippers is open on three days only, and even then with limited hours for trade — because the premises are in a green belt area. The local authority allows only 14½ hours of business a week. Nevertheless, Cassell says that on a Saturday morning alone the shop can take in as much as a

small, local high street shop makes in two to three weeks. She has had to hire two full-time and six part-time employees. "The recession doesn't seem to have affected us at all," she says.

Cassell is well aware of how a home-run business can take over one's life; she used to work for Relate, as a marriage guidance counsellor. She has two rules: she must have time for her three children and husband, and the business must not affect the family finances. Until two years ago she took no steady income from Nippers, ploughing all the profits back into it, while the family lived off her husband's income.

Nippers Hildenborough has matured so successfully that it gave birth last year to Nippers UK Franchising. Cassell, her husband and brother invested £50,000 in the new venture, aiming to have 70 franchises around Britain in five years' time. The first franchise opened last September, and Cassell has had over 80 inquiries for others since last December. Old barns, granny annexes, stables and even warehouses round the UK could get a new lease of life.

■ Nippers UK Franchising, Marsters, Nizels Lane, Hildenborough, Kent, TN11 8NX. Tel: 0732-633-633. Fax: 0732-633-633.

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## HOW TO SPEND IT

# The art of being a crafty shopper

Lucia van der Post picks some exceptionally fine presents from some of Britain's best young craftsmen and women

THOSE WITH a taste for fine craftsmanship are spoilt for choice. At Liberty in Regent Street, London, there is a wonderful selection of furniture, paintings and objects from the Arts and Crafts period: in Bath a contemporary arts and crafts fair opens today and, at London's Goldsmiths' Hall, a display of work by some of Britain's best goldsmiths and silversmiths opens on Wednesday.

Do not be discouraged from going to any of these simply because your price bracket is more Marks & Spencer than Fortnum's - much of the pleasure offered by these exhibitions is the chance to wander around and look at exceptional work. Even those in the mood to spend nothing should find much to delight the eye.

At Liberty the arts and crafts exhibition is now an established annual event - the 18th in a row where furniture, metalwork, glass, ceramics and jewellery from the period are not just on show but also for sale.

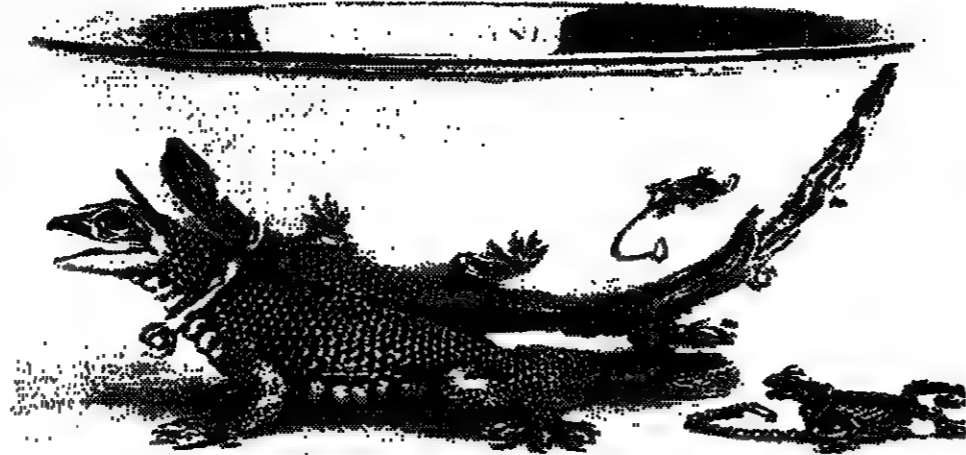
Although the Arts and Crafts Movement spanned roughly

the years 1870 to 1890 for this year's exhibition Liberty has some particularly fine pieces from the height of the movement, around the turn of the century, with pieces from Arthur Liberty himself, J.S. Henry, Heals and the Cotswold school. There will be desks and tables, fireplaces and a set of four Liberty chairs taken from a C.F.A. Voysey design, as well as a group of pre-Raphaelite paintings, including an Edward Burne-Jones.

Arts and Crafts furniture, it has to be said, is not to everybody's taste but for those who want to be know more about it - and perhaps gauge whether it is or is not - this is a perfect opportunity.

What almost everybody can relate to instantly is the jewellery of the period. Tania Hunter, of Cobra & Bellamy, who used to deal in jewellery of this period, has been putting a collection together for some years. The result can be seen and bought at the Cobra & Bellamy counter at Liberty as well as the shop at 149 Sloane Street, London SW1.

As you can see from the photographs here, the pieces are almost without exception



Above left: a silver and silver gilt salamander bowl designed and made by Lexi Dick. Above right: a goblet in silver and enamel by Jane Short. Below right: a brooch by Stephen Webster made from rock crystal, pearl, ruby, tourmaline and diamond. All are on show at the British Goldsmiths of Today exhibition at The Worshipful Company of Goldsmiths

exceedingly beautiful, finely made and highly desirable. Today these pieces, sadly for would-be buyers, fetch high prices - at the time the designers' use of relatively inexpensive materials such as horn and glass, silver and Bakelite, and the deeply held belief that artistic merit was more important than the inherent value of the materials used, was revolutionary in the jewel world.

Most items are collectors' pieces so they are not cheap. Two of the finest, the C.R. Ashbee silver and gold brooch, enamelled and set with pearls and an amethyst, and the Archibald Knox platinum, diamond and moonstone pendant, cost £5,950 each. There are a few smaller things for sale, such as a small silver brooch at £200, a couple of pendants at £350 and a carved jade pendant at £200.

At The Goldsmiths' Hall there is a dazzling confirmation that when it comes to jewellery, silver or gold, from earrings to goblets, ceremonial platters and tharps, domestic cutlery, or anything from clocks to rings, the current crop of British designers are hard to beat. No wonder the Middle Eastern palaces, the Japanese board-rooms and the world's posh private houses are filled with the work of bright British jewellers and goldsmiths.

The work of between 50 and 60 designers will be there for all to see. Although none of it carries price-tags most of the just two examples from the work on show at the Bath Contemporary Designer arts and crafts fair at the Design Centre, St Andrews Terrace, Bath.

Top: a five-piece sterling silver place setting, with gold overlay, at £240 by silversmith Philippa Merriman, who can also be contacted at Westfield House, West Road, Lancaster, LA1 4PE. Tel: 0524-382323. Besides cutlery she specialises in presentation pieces such as jugs, napkin rings, trays and jewellery. Below, a glass table with steel base by Saraj Guha. Available to order it costs about £900. He works a great deal in steel using it for mirrors, candlesticks and other interior design work. Contact him on 0420-542303

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designers will be at the exhibition and anyone longing for a particular piece will usually be able to come to some arrangement. Even if the particular piece on show is not for sale something very similar can always be commissioned. Anyone who has a special anniversary coming up, a birthday, a retirement party, a christening or a wedding, will find it a fruitful scouting ground.

It is encouraging to see that several of the independent retailers, having noted and reacted against the growing influence of the multiples, now see more exciting and better design as a useful tool in the battle for customers. Even retailers that were once renowned for grandiose candleabra and "repro" candlesticks now have corners or counters devoted to more exciting modern work.

Some of the stores worth noting are: Garrards of Regent Street, London W1; Asprey of 161 New Bond Street, London W1; Boodle & Dunthorne of 58 Brompton Road, London SW3; 53 Eastgate Street, Chester; Lord Street, Liverpool and King Street, Manchester; David Robinson of Church Alley, Liverpool; St Michael's Row, Chester; St Anne's Square, Manchester; Lord Street, Stockport and Mankinson Arcade, Wigan; David Thomas, of 65 Pimlico Rd, London SW1 and Hancock's of Manchester.

In Bath there is yet more contemporary work - this time in the field of ceramics, glass, wood, furniture, jewellery, knitwear, fashion accessories and the like - to be looked at, admired and possibly bought.

Based very much on the format of the now well-established Chelsea craft fair, the organisers have gathered some 100 different craftspeople and anything from candles to bracelets, from handbags to pottery can be seen.

Prices vary enormously - most of the work is aimed at everyday usage and is not as precious and fine as that at the Goldsmiths - from a few pounds to several hundred. Again, it is a marvellous chance to do some present buying, to replenish some of the things you might need for your own house and to catch up on the work that more than 100 exhibitors are up to.

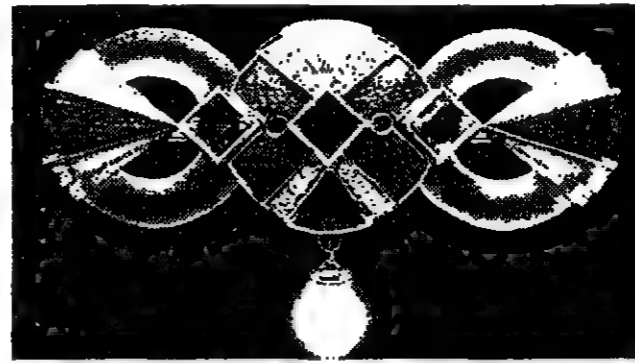
Bear in mind that it is not just jewellers and silversmiths that like to make works to commission. Most of the craftspeople at Bath love nothing more than the chance to produce a one-off design - whether it be to knit up a

sweater in a special colour or pattern, do a range of pottery to match an existing set, paint some furniture to fit into a given room or produce a piece of fine jewellery or silver. Anyone whose work you like can be negotiated with.

■ The Arts and Crafts exhibition at Liberty, Regent Street, London W1, is on until June 13.

■ The Contemporary Designer arts and crafts fair is on at the Bath Arts, Crafts and Design Centre in St Andrews Terrace, Bath, from today until Tuesday.

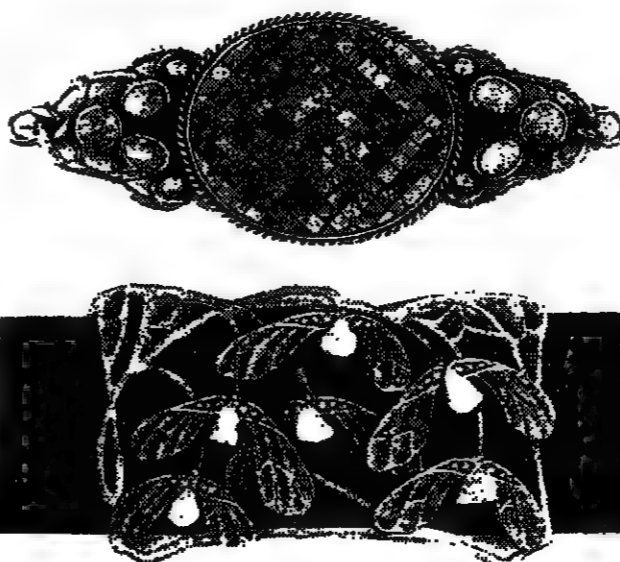
■ British Goldsmiths of Today at Goldsmiths' Hall, Foster Lane, London EC4V, will run from Wednesday until June 28.



Right: from Liberty's exhibition, a Shapland and Potter mahogany music cabinet, £1,995. Below: a selection of the Arts and Crafts Jewellery from the Cobra & Bellamy counter at Liberty. Top left: a fine early plastic moulded head brooch, probably French, circa 1900, £280. Top right: a rare silver and gold pendant, enamelled and set with pearls and an amethyst, £2,950. Below centre: an opal mosaic brooch set in silver, English, circa 1800, £2,200. Bottom: a Robert Koch choker set with Mississippi pearls, £2,500.

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## Perfect for summer parties

THE SEASON of summer parties, of barbecues in the garden, of picnics and of weddings is upon us. For most of us that means catering on a scale that tests the resources of even the most amply equipped houses.

Top Table is worth knowing about because it specialises in hiring out anything and everything the party table might need - but in quantity.

Although many companies offer this service what is perhaps different about Top Table is its range of exceptionally attractive tableware.

There is, for instance, a chic, striped collection and a smart black and white group due in the autumn. There is plain white china, with a raised fruit pattern on the sides, and colourful fruit patterned china which is fresh and springlike, with a white background, or darkly decorative with a black background.

There is a choice of handblown bubble glasses, tablecloths and napkins. Large black candleabra can also be supplied and would suit a function in a barn or marquee.

Based in Northamptonshire, the company will deliver all the hired pieces free within a 15-mile radius, otherwise a charge, according to distance, has to be made. For details contact: Top Table Hire, Moors Farm, West Farndon, Daventry, Northants. Tel: 0327-60375.

□□□

REMEMBER the string bag? Once a hotter than hot little number in the 1960s it was ousted by the plastic bag as a worthy receptacle for pop art. Then, in the 1980s, came designer label shopping bags. Shops such as Browns, Hermès, Joseph and Chanel were as popular for the chic conveyed by their bags as their label.

In the eco-conscious 90s the string bag is making a comeback. Paper, we are told, is bad - all those forests - and plastic is worse - all those chemicals that eat up ever-diminishing resources. The fab first resurfaced in New York and has now reached the UK. Reusable and made of 100 per cent cotton in natural, yellow, orange, red, blue, green, and black, the bags can be crumpled up small inside a handbag and emerge later. String bags can now be bought from retailers including The Conran Shop, Michellin House, 81 Fulham Road, London SW3 and Neal Street East, Neal Street, London WC2 as well as by mail from The String Bag Company. It is offering three - one beach bag, one shoulder bag and one shopping bag - for £11 plus £1 to cover postage and packing. Tel: 071-681-0196 or write to The String Bag Company, 50 Lombard Road, London SW11 3RY.

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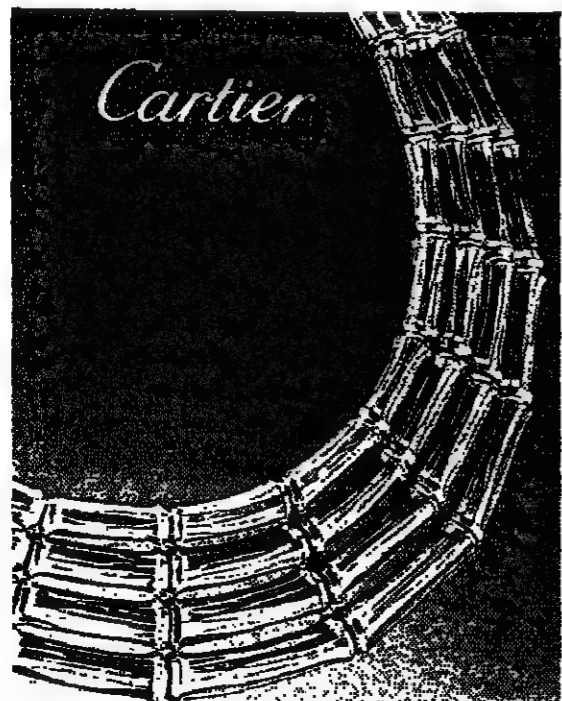
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## FOOD AND DRINK

# A visit to the claret frontier

ON THE eastern frontier of the Gironde, opposite the département of the Dordogne, lies the small red wine district of the Côtes de Castillon. The town it is based on is called Castillon-La-Bataille, commemorating a defeat, in the year 1453, which led to the withdrawal of the English from south-west France.

**Castillon wines are worth tasting, says Edmund Penning-Rowsell**

Of set-backs: phylloxera; the banning - in 1921 - of St Emilion or St Emilionais on their labels; and the start of the Appellation Contrôlée system in 1935. This reduced the Côtes to little more than generic red Bordeaux: *vins de médécine*, used by the Bordeaux trade to give body and character to weaker wines from elsewhere in the huge Gironde region.

The position improved in 1955, when the appellation Bordeaux Côtes de Castillon was approved. And then, in 1989, the word Bordeaux did not have to be shown on the label; it is now little used.

This is Merlot country, as in St Emilion. An average of 70 per cent of the grapes are Merlot, as demonstrated by the single co-operative in Gardegan. The balance of grapes is about 25 per cent Cabernet Franc, with a little Cabernet Sauvignon, although there are exceptions. The wines are less tannic than Bourg and Blaye, other Côtes wines.

As in St Emilion, the soil composition varies. Near the river it is more sandy and alluvial. But on the slopes, and above all on the plateau, it is clay-chalk, producing bigger, better-structured and longer-living wines. On a recent visit to the two plateau estates of Castegnès and Pitray, I drank 1982s which had plenty of colour, body and character.

Castillon wines generally have deep colour, well maintained with age, a welcoming aroma which may recall blackcurrants, chocolate or tobacco, and a powerful but not a coarse taste. Of recent vintages, I found the '89s, shortly to be bottled, outstanding for their concentration. The '88s have, perhaps, more elegance. The '86s are big, firm, traditional clarets. They should keep very well, though for current consumption I tasted more than one '87 which made very agreeable drinking. The '86s still have that strike on the palate, but the '89s are probably at their best: the vintage I would choose for drinking now, and for several years ahead. The '88s are softer, and for opening fairly soon.

To buy for laying down, I would acquire '80 and '88. I tasted a range of 18 of the latter (not including those of the two mentioned above) and they are certainly not ready. For the record, those I preferred were Belcier, Grand Tertre, Haute de Poupille, Lavergne, Poupille, Peyrou and Roc de Joanne. Among other properties I visited, whose wines appealed to me, were Grand Tullac, Blazac, Srehat, Montpezat, Estaign and Pijagues - but these were a handful in a district carpeted with vines.

Estate names to be found on UK merchant lists will largely depend on those favoured by the Bordeaux merchants. Belcier and Pitray may be commoner than most: also Dom La Clarière, owned by Tony Leithwaite, head of Bordeaux Direct, whose wines are sold in its shops in Reading and elsewhere in southern England.

However, about 40 per cent of Castillon wines are still sold in bulk to the Bordeaux trade, where they lose their identity in branded blends. A further substantial percentage, depending on the individual estate, is sold direct to private clients within France.

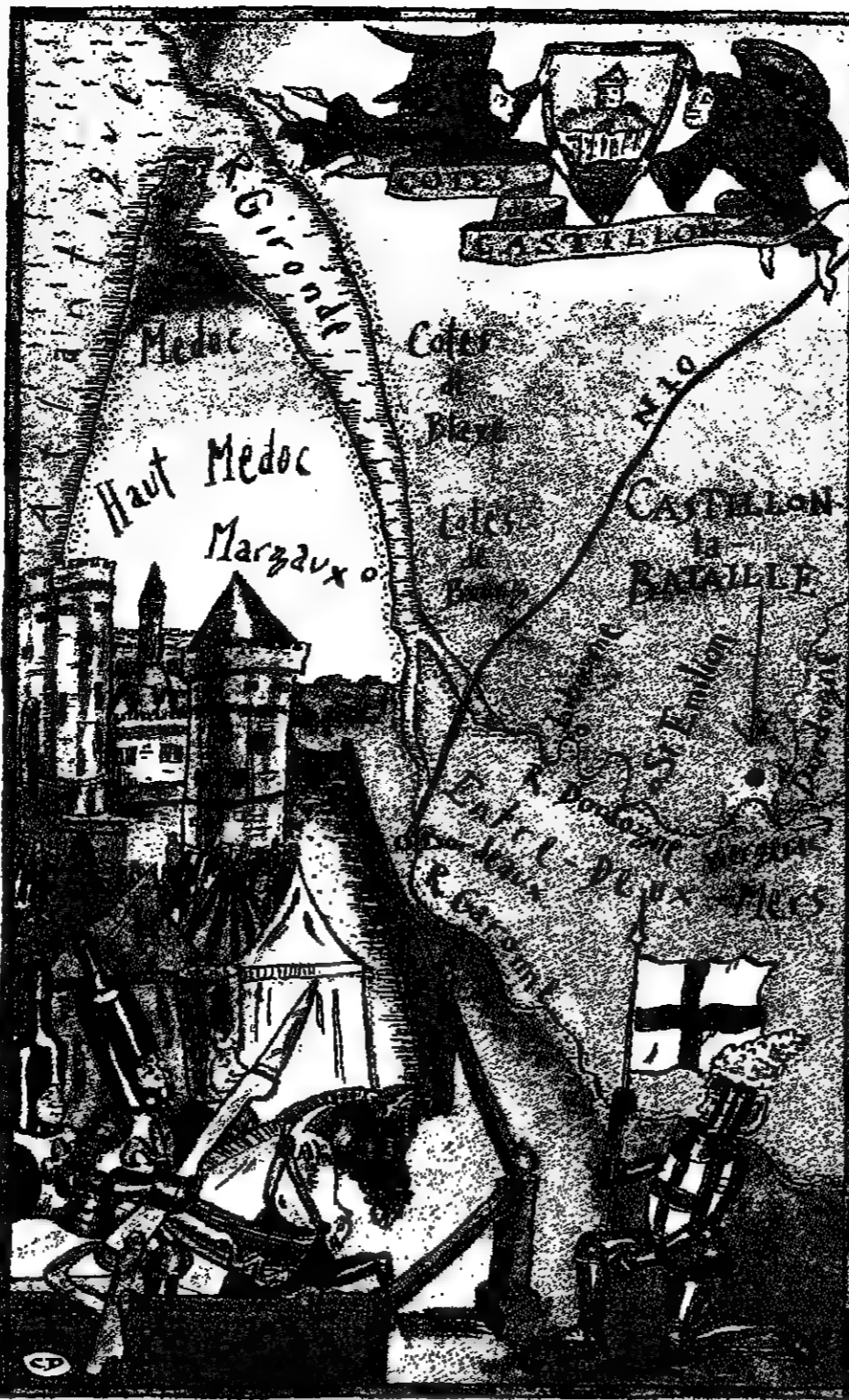
A growing problem is the use of oak barrels to mature the bottled wines, which are nearly all developed in cement vats, (though some stainless steel is used for this and for fermentation). Experiments with oak are being applied in wealthy properties like Castegnès, Belcier and Estaign, and in other areas a few barrels will be seen, but the problem is not only the cost of the barrels - FF12,000 for new ones, and half that for two-year-olds - but the fact that it puts up the ex-château price to the Bordeaux trade by an unacceptable FF10 to FF15 a bottle.

Traditionally, Castillon has lived in the shadow of St Emilion and even its immediate neighbour, the "satellite" Puisseguin-St Emilion, secures a per tonneau (1,200 bottles) price of FF12,000 compared with Castillon's FF8,000.

Prices of some Castillon wines on UK lists appear unnecessarily high in relation to growers' receipts, for they should cost from £4.50 to £5 a bottle. As with other lesser Bordeaux appellations, few foreign buyers seem to have the time or opportunity for personal visits and direct buying.

The Côte commune of St Philippe boasts the highest above-sea-level height in the whole Gironde - more than 350 ft - and the district has surely the most engaging countryside in the whole département, with steep valleys, tree-lined hills, and old stone villages and hamlets. The vineyard estates include such impressive 15th century castles as Castegnès and Flojégue, and the fantastic mid-19th century Pitray, in Viollet le Duc renaissance style.

The cellars of these and other properties are open to visitors by appointment. This can be obtained through the office of the Syndicat Viticole des Côtes de Castillon in the Allées de la République in that town.



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The day before, Franco had hunted down a couple of up

# Braised oxtails: the glory that was Rome...

**Chef Franco Taruschio explains some Italian regional food fads to Giles MacDonogh**

ROMAN FOOD is less well known than that of some other regions of Italy, notably Tuscany, Piedmont, Emilia Romagna and Milan. The region is hotter and the countryside poorer, covered with the same ragged sheep which appear in the landscapes of Guido Reni or Claude Lorraine. There are few star winemakers to give encouragement to the chefs, but this does not mean that Roman food lacks a distinctive flavour or that the Romans do not have strong opinions about what they like.

This became clear in a simple Roman café one morning. The owner and his wife were decrying the culinary innovations which threatened the "good old" food of the city. "We were quite happy with our braised oxtails," they said, "and sausages with polenta." They lost me, however, when they began speaking of a notable treat: the intestines of 30-day-old lambs, still filled with their mothers' milk, and served on a bed of gnoccoli.

Fortunately I had the best of interpreters in Franco Taruschio, of the Walnut Tree in Abergavenny. Franco comes from the Marche on the Adriatic coast, which is near enough to Rome to allow him some understanding of the city's gastronomic predilections.

We had just come from the market in the Piazza Vittorio Emanuele II, where we had examined piles of expensive ope looking distinctly ropey at the end of the season; stalls selling every conceivable variety of flour, from rice and potato to chick pea; huge piles of pecorino cheese made from the milk of Sardinian and Roman sheep (and rather larger stacks of Parmigiano Reggiano from Emilia Romagna); live carp and eels, their gills quivering; swordfish and one-eyed scampi from the Adriatic; dainty and aqueous hump of meat enlivened by half-shaved haunches of boar, thrushes and, of course, oxtail.

The day before, Franco had hunted down a couple of up

and coming Roman restaurants. Da Paris (Piazza S. Calisto, 7A. Tel: 583378) is in Trastevere. The name celebrates a former owner, and has nothing to do with Paris, France; in fact the cooking is a tribute to the Jewish Roman tradition - the old ghetto is about a kilometre away.

An excellent *bresaola* made from beef topside formed a simple *antipasto* with some fresh anchovies marinated in lemon juice. Chick peas

was filled with chocolate and cinnamon, with a little sambuca. Da Paris is highly recommended to anyone visiting Rome. Per head with good wine: £40.

Our second choice, Il Cardinale near the Pantheon (Via delle Carcere 8. Tel: 686-93-36) was a bit of a busted flush. Adriana Montellano's cooking started out promisingly, but began to falter halfway through the meal. Brioche was served with

replaced the usual beans in the pasta soup; a shellfish risotto came with big pieces of fish. I braved the *tripe alla romana* which came with grated pecorino cheese rather than the usual parmesan. (The guts had been well cleaned, and the meat was less pungent and more delicate than most.) The others ate a selection of fried food which was billed as quintessentially Roman.

Deep fried food is one of the hallmarks of Roman cooking; as it was once that of both Lyon and Paris. Da Paris did an interesting mixture of different things cooked in a light batter: artichokes, delicious marrow flowers and dried cod or bacala.

The pudding, too, was deep fried: *polenta* or balls of ricotta. Originally these were called St. Calisto's Balls, but in deference to the dedicatee of the church opposite, this title has been dropped. The deep fried ricotta

a little mousse of mascarpone cheese and anchovies; this was followed by some artichokes stewed in olive oil (*alla romana*) and a salad of pigs' trotters. Dried cod was again the principal ingredient of *ranuncolo alla bagna*, which was excellent under its rich tomato sauce. Also good was a roulade of pasta stuffed with caps, *parmigiano reggiano* and cream cheese.

The main courses proved disappointing: rabbit fillet in a sauce of rosemary, garlic and wild fennel seemed to lack texture, while some dried cod, in a sauce with grapes proved, I thought, a mistake. The puddings were better, especially my *crusca*, which looked somewhat like a *Licorice* of candied orange peel, a typically Roman dish. A sort of soup of *mille-feuilles* was not so exciting. The meal cost about £40 a head, including wine.

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## TRAVEL

## Menorca: simple fare, astral experiences

**M**AJORCA... Menorca... these Balearic islands always sound to me like a pair of chirpy Spanish public schoolboys. The difference between them is much more than 100 miles of Mediterranean.

Menorca is the quiet and modest one. If you felt energetic you could cycle across it in a day along its central spine of a road. Menorca is remarkably sane about tourism. For a start, its season lasts only from the end of April to the end of October. I caught the first charter flight out of Mahon last October, having been the last guest to check out of the Hotel Gala Galdana which faces the superb horseshoe bay of Gala Galdana in the south.

Shutters were going up all over the island. No wonder that it only has 10 per cent of the visitors who stay in Menorca. There are also tight and strictly-observed controls on hotel development and only eight petrol stations on the whole island.

At the oddly named Bar Alaska near the hotel, Antonio told me about a farewell San Miguel that he was over to his family on the mainland in Andalusia. "Six months you earn: six months you spend. But even in the season it's quiet here. If you want disco and late nights go to Ibiza or Majorca."

I wanted neither of those, and I have been to Majorca enough to know that you can escape noise by choosing carefully even there. But Menorca's legendary tranquillity is a deceptive facade. Yes, English visitors do a double-take when they see huge Friesian cows lolling in green fields, and you can spot blackberry bushes in country lanes or sash windows in Mahon's 18th-century Georgian houses.

But the legacy of British occupation in the 18th century is matched by the impact of the other invaders of this most easterly of the Balearic Islands. Phoenicians, Carthaginians, Romans, Arabs, Moors, Catalans and French - all occupied the island.

The most interesting of the settlers were the oldest and most enigmatic - the prehistoric inhabitants who, 3,000 years ago, built the hundreds of stone monuments that make Menorca a unique open-air museum. Imagine 100 miniature Stonehenges scattered across the Isle of Wight, lying in farmers' fields, and you have some idea of the impact of Menorca's monuments.

I used the excellent *Landscapes of Menorca* by Rodney Ansell to find my way to a dozen different sites where you can stroll around three types of prehistoric monument. There are *talayots*, conical mounds of stone which were originally

watch-towers; *naveas*, burial chambers which look like upturned stone boats, and *taulas*, mysterious pairs of massive rectangular stone slabs carefully slotted and balanced together to give the appearance of a capital T.

The best way to explore Menorca is to drive or, where possible, walk to a selection of these sites which are accessible in superb countryside. Green hills, arid dry-stone walls which separate every field like punctuation, sharp ravines and rocky headlands form a dramatic backdrop to many of these sites.

The best example of a *navea* is at Es Tudona, 4 km outside Cuidadela. This two-storey burial chamber has been well restored and is reckoned to be the oldest roofed building in Spain. If not in western Europe, I walked along paths of dry red earth studded with tiny wild autumn crocuses to reach the *navea*.

Not far from Es Tudona I found my first *taula* at a settlement called Torre Lladuda. To navigate accurately to these sites, I recommend a second slim book called *Taules and Talayots* by Michael Hoskin.

**Richard Gilbert looks at the influences which have shaped the most easterly of the Balearics**

and William Waldren, two English academics. At Torre Lladuda, the *taula* precinct is set in an olive grove and the book led me accurately over cattle grids, iron gates and past a farmhouse to find the enigmatic T-shaped slabs of stone still standing in their original grooves after 3,000 years.

The largest of these sites are in central Menorca. Torre d'en Gaucans and Torre d'en Saloni are easy to find off the main Mahon-Cuidadela road near the town of Alayor. Both settlements have been thoroughly excavated and you can wander among *talayots*, *talayots* and the ingenious water irrigation systems that, with their hollows and contours, remind one of rough-hewn, weather-beaten Giscornet sculptures.

My ideal day included taking one of the walks suggested in *Landscapes of Menorca*, a visit to some prehistoric sites, lunch in a simple Menorcan restaurant and relaxation in one of the island's 120 bays and coves.

Tenveries, the nearest town to Gala Galdana, has a modest restaurant lumbered with the unfortunate name of Vimpi. It soon became our local because of its outstanding *tapes* and fish dishes,

although I decided to decline Vimpi's speciality, "Rabbit of the House". Squid in garlic, octopus, breaded mussels and stuffed aubergines were quite good enough.

And we could always climb the nearby hill of Santa Agueda. It is only 870 ft, but you climb up a path that used to be one of the oldest roads on the island. The Romans had a fortress on the summit and much of the original Roman paving is still there, set in the ochre earth. The 40-minute climb takes you past pine trees, wild pomegranates, rosemary and fennel, crickets and darting lizards, until you reach the remains of the Roman fort and a Moorish castle, surrounded by fig trees and an outstanding view of western Menorca.

Based at Gala Galdana, it is easy to walk to many other nearby horseshoe bays or creeks which are often deserted, like Cala Mitjana and Macarella.

On the way to the airport at Mahon, I couldn't resist a final stop at the newly-excavated settlement of Sonacassana. It was a lucky diversion because I met two German researchers who were plotting the alignments of every *taula* on the island.

Laying their complex charts on the yellow limestone, they showed me the evidence to support the theory proposed by Michael Hoskin of Churchill College, Cambridge, that the *taules* are most probably sacred monuments linked to ancient worship of the stars.

Every mysterious giant stone T on the island has a clear view of the horizon and points directly towards specific bright stars, mainly the Southern Cross and Alpha Centauri. The *taules* are all oriented towards these stars' trajectories across the southern Menorcan sky of 3,000 years ago. Evidence for animal sacrifice and the discovery of religious artefacts at the *taules* (including a statue of the Egyptian god of medicine, Imhotep), support the theory that the early Menorcan religion, like Egypt's, was astral.

Thomson Holidays has flights only to Menorca from £132 return, and half-board holidays at Hotel Cala Galdana from £266 for seven days. Both its Small and Friendly and Summer Sun brochures have a selection of other packages to different resorts in Menorca.

*Landscapes of Menorca* by Rodney Ansell (96.95); Sunflower Books, 12 Kendrick Mews, London SW7 3EG, tel: 01-589-1800. *Taules and Talayots* by Michael Hoskin and William Waldren, available from Michael Hoskin, Churchill College, Cambridge CB3 0DS, £3 (post free).



Windy Limnos: out to lunch. There are many sandy bays and beaches

## Dodging the herd on Limnos

**L**AST September I enjoyed a pleasant week's holiday at the Akti Myrina hotel on Limnos, a low-lying island in the north-eastern Aegean. The visit was organised by The Best of Greece, a small upmarket tour operator that claims that "long ago, we learned one essential thing about running a travel business: to and in Greece: we don't cut corners and we don't look after the herd, the masses."

Its current brochure even quotes Noel Coward: "Why do all the wrong people travel, travel, travel and all the right people stay at home."

Fair enough. The brochure was written well before John Major's win in last month's UK election, though perhaps next year's brochure will adopt a less class-conscious tone.

But possibly it won't, for it cannot be doubted that The Best of Greece attracts well-heeled customers who want hassle-free holidays in the sort of hotels featured in its brochure.

The new driving force at The Best of Greece is David Barber, who took over as general manager in March last year. Since then he has travelled extensively through the islands, seeking out "hidden gems" like the Villa Andromeda, a former ambassadorial residence in Chania, Crete, the Tsitouras Collection, five houses converted from a 19th century mansion on Santorini; the Villa Daphne on Paros; and the private island (two houses) of Argimossos, off the Pelion peninsula.

Also new this year is the Candia Park Village near Agios Nikolaos, Crete, due to open next month, and a new choice of sailing holidays.

Having spent a week at the Akti Myrina on Limnos eight months ago, it gave me the pleasure to compare the brochure's up-beat assessment of the hotel and the island with my own recollections.

The brochure calls the Akti Myrina one of Greece's finest hotels, emphasising its "sublime accommodation on a

peaceful island undisturbed by tourism" and waxing lyrical about its friendliness, setting (125 stone-walled cottages dotted over 20 acres of parkland), sports facilities (not just water sports - yawn - but tennis) and food.

My experience of Greek hotels is limited, but I am happy with the brochure's claim that many guests return to the Akti Myrina year after year and almost look on it as a second home.

As for Limnos, The Best of Greece correctly describes it as peaceful, with a quiet little capital, and "dry and hot in summer but blessed with many fine sandy bays and beaches."

Perfectly true. What the brochure does not mention is the wind on Limnos. It is an extremely windy island. I hired an open jeep for a couple of days and my executive assistant, Miss Lee, travelling with me, was almost blown up into the sky, while my efforts at sunbathing on the hotel's beach were constantly thwarted. No muscle-clad bully

kicked sand in my face; the wind did it for him.

Prices at the Akti Myrina for holidays booked through The Best of Greece are on a half-board basis (dinner and breakfast) and include economy flights. Drinks are expensive.

If you can avoid the peak period, prices at the Akti Myrina between June 1-July 12 and August 31-September 28 (from London) range from approximately £885 per person for seven nights in a twin standard cottage (£1,400 for 14 nights) to approximately £1,160 pp in a duplex front row (two-bedroom cottage £1,900 for 14 nights).

Single cottages are available. These prices do not include transport to UK airports, watersports, excursions, drink or insurance.

■ The Best of Greece: 100 Week Street, Midsbury, Kent ME14 1EG, tel: 0622-632278, fax: 0622-632281.

Michael Thompson-Noel

## Boutique hotels hit town

Nicholas Woodworth on a luxurious and intimate experience

**I**N THE US they are called "boutique hotels" - not a pretty name. In London, they do not seem to have any recognised name at all. But if the recently-coined term "town house hotel" has yet to catch on in London, the establishments it describes have.

Hidden away, meticulously managed, and each with an intimate atmosphere entirely its own, London's small luxury hotels can make their better-known cousins seem not so much grand as over-sized.

More than 1,100 hotels cater to 17m visitors in London each year, and there are plenty that are neither large nor cheap. Yet there are only 25 or so that fall into the small, luxury "town house" bracket - something like 300 rooms in all.

Generally, these hotels are to be found in converted private houses in quiet residential streets. Invariably, they serve a full morning meal, though only a few have a restaurant of their own. None are members of a hotel chain, and are instead privately owned. What is it that makes these hotels something other than glorified B & Bs? Not long ago I went on a four-day bed-hopping spree to find out.

A stone's throw from the Victoria and Albert Museum, the Egerton House Hotel sits in a street off the Brompton Road in Knightsbridge. Like its owner, David Naylor Leyland, it is discreet, understated and traditional. Two years ago, after 50 years as an amateur jumps jockey, Naylor Leyland broke his neck while sleep-chasing. Ever since, he has put his energy into hotels rather than horses.

I met him in the drawing room, a place where he is often found chatting to guests or sharing an evening drink. It has an elegant, residential atmosphere; there are oil portraits on the walls, books and newspapers by the fireplace - and, in the adjacent study, an "honesty bar" where guests serve themselves from a side

table. His application of the town house concept is simple.

Cut out areas that are costly and often less-making - restaurants, public bars, lobby facilities and the large staff that go with them - and you can still provide a wide range of luxury services and accommodation at prices that undercut the large hotels. Single rooms at the Egerton begin at under £100.

On opening my door at the Sloane Hotel, a tiny establishment of just 12 rooms in Chelsea, I first felt somewhat put out. The room beyond was full of lovely antiques, but it seemed slightly small.

On one side of the room, though, there was a wooden banister. I moved over to it,

er-inspired chintzes, frills and floral patterns - is conspicuously absent.

Like other town house hotel owners, the Sloane's Sue Rogers, an interior decorator, puts the stamp of her individual taste and style on every room, traditional, contemporary or neo-classical.

Hidden behind the reception desk at the recently opened Halkin Hotel near Hyde Park Corner lies an office resembling NASA's mission control. A bewildering display of consoles, monitors and computer screens, it is the electronic heart of the most modern, high-tech hotel in London. What in God's name, I wondered, as I peered at this gadgetry, can the rooms be like?



and was astonished to find myself gazing down onto a room of enormous height and the grey silk canopy, draped over a four-poster bed. Like all the rooms in the Sloane, its £150 gallery suites offer lavish and surprising design.

With its wall tapestries, walnut antiques, silver-backed brushes and crocheted bed-sheets, spending a night there was rather like staying in a grand, highly decorated private country house. But as in all of London's small luxury hotels, the American vision of what an English country house should be - Colefax and Fowl-

er's room calls and duties, it is

apart from a fax machine and two telephones on the desk, there was no sign of any silicon-chip wizardry in my £300 room. The luxury of the large marble bathroom was far more striking. The 41 rooms at the Halkin are of Italian minimalist design: stark lines and empty space are as much responsible for an air of opulence as stylish, Milan-imported furnishings and art pieces.

But the high tech was there nonetheless, security-recording room entries, automatically allocating private fax numbers, electronically prioritising but-

ler's room calls and duties, it is

as unobtrusive and professional as the service in the Halkin's Italian-nouvelle Gualtero Marchesi restaurant. This is a hotel as much for the modern aesthete as the pressured businessman.

My favourite little luxury hotel, though, is Blakes in South Kensington, something of an institution among celebrities, fashion and media people in London. Quite simply, it is a self-indulgent fun. This is a place where a little fantasising comes easily.

Behind the fantasy lies a meticulous attention to detail and service. Owner Anouska Hempel blends fabrics, furniture and accessories, and carries individual themes and colours across whole floors of the 50-room hotel.

My own £285 room, in black and gold, positively glowed. Light, bleached floorboards stained with black diamond patterns; black silk walls covered with 25 gilt-framed lithographs; polished Biedermeier furniture; a four-poster bed festooned with masses of fabric - as the hours passed, all conspired to carry me light years from the grey weather and the anonymous city that lay outside my window.

■ Nicholas Woodworth was a guest of The Egerton House Hotel, Egerton Terrace, SW3 2BX, tel: 01-589-2412.

The Sloane Hotel, 29 Draycott Place, SW3 2SH, tel: 01-581-6767.

The Halkin Hotel, Halkin Street, SW1X 7DJ, tel: 01-333-1000.

Blakes Hotel, 33 Roland Gardens, SW71PF, tel: 01-370-6701.

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## GARDENING

# Pick of the show, hostas with the mostest

Robin Lane Fox plans a leafy treat for himself after an exhausting time at Chelsea flower show

UNTIL THIS Monday, I have always thought that in gardening circles, H T stands for a Hybrid Tea rose. Near the exit to Chelsea flower show, I learnt this week that it stands for something else: Horticultural Therapy, for those who want to garden but are disabled.

By the Chelsea exit, all legs ache and the mind becomes hazy. The H T stand was strategically placed and a positive woman in navy blue explained with enthusiasm: No, H T could not help just now if my feet were about to fall off, but she could help if the worst came to the worst and I went blind, for example.

Perhaps the colour-planners of most of the outdoor gardens at Chelsea have been needing H T all these years. They are still capable of some extraordinarily awful colour schemes which are not much of an advertisement for the great English garden: Wyevalle gardens surprised all sensitive eyes this year with its attempted echo of Scotland.

I thought the best was the Dally Mirror's design because it combined odd angles and not too many plants, all of a civilised colour. For once, I could imagine inhabiting a Chelsea exhibit for more than half an hour.

This year, many exhibitors favoured the long-eared Lavender Stoechas, especially the pedunculata form, and the Mirror had majored on it, perhaps implying that it would be hardy in most of the British Isles. Do not be tempted, because it is not.

The Daily Telegraph tried a different image of temptation, a Vision of Paradise with overtones sometimes said to be Persian, sometimes Islamic or sometimes simply Eastern.

Much of the planting was pretty, although the Turkish sort of tent at the back was a bit rich: Moslems might be surprised to find this rather eclectic design claiming an historic semi-Islamic origin.

Further down the bank, the heroic exhibitor of the first garden ever to be shown from Uzbekistan might have once known better what



A Chelsea high spot: the stand from Notcutts, once again the best of the big exhibitors of trees, shrubs and climbers

made a truly Eastern paradise. Years of political slavery and the backwash of modernism had reduced it to some hard and bright surfaces and beastly dots of red salvia.

Horticulturally, the main therapy is always found inside the main tent. Each year, the smaller herbaceous nurseries consolidate their advance at the expense of many of the older and bigger enterprises.

The grandeur of the 1950s has

gradually faded. Most of the specialists in these smaller concerns have brought a greater sensitivity to colour and arrangement.

Glebe Cottage, Foxgrove, Four Seasons and Rushfields are some of the names which show herbaceous plants with particular elegance. This year, Four Seasons from Norfolk had hit the mark superbly with a harmony of white, pale yellow and shades of pink.

Meanwhile, Blooms of

Bressingham, Norfolk, is there as a reminder that big can also be beautiful. Yet another fine exhibit from this large company encouraged me to follow up Huchere's Charles Bloom because its darkish leaves are not too sombre and its haze of peach-pink flowers looked exquisite. It will also grow in shade.

At a lower height, the second Chelsea exhibit of the Hilleys from south London was full of temptations and half-hardy rarities.

We swapped notes on the winter deaths among penstemons, agreeing that the white had been hardest hit; we admired the aromatic leaves of their Salvia discolor and its black flowers; I was drawn to one of the old forms of mauve Cherry Pie which has to be bought as plants from cuttings because they smell so much more sweetly than any which grow nowadays from seed.

Gardens could hardly have been hotter or more dry this week. Perhaps as a result, I was

particularly drawn to a cool display of shade-loving plants from Paradise Centre, Lamsar, Bures, Suffolk.

The nursery is new to me, but one of its groupings seemed more like paradise than those from the Tory press. We do not often see superb Haberlas in a full display of pale lilac flower among Shooting Stars, or Dodecatheon, with tall stems, evidently grown outdoors.

Indeed, the proprietress assured me that she had dug up some of the

star turns from her own garden a day or two before.

The accompanying publicity refers to "harmonious birdsong, the gentle scurrying of squirrels and nearby paddocks with unusual African pygmy goats." Nonetheless, these rare woodland plants seem to like it.

My personal high spots were threefold. One was the very knowing show-person on an expert stand of alpine plants who pointed out the saxifrages growing happily in bits of rufa rock.

High spot number two was the marvellous stand from Notcutts, once again the best of the big exhibitors of trees, shrubs and climbers.

It arranges its lilacs so prettily and, in my mind's eye, I still see the arch of climbing plants on which Notcutts designers excel themselves. This year, it was clothed in wisteria, Yellow Rose Emily Gray and a wonderfully variegated honeysuckle called Harlequin which I will rush out and buy.

Flowers, however, are not everything. For plain quality, my final high spot was the stand from Goldbrook at Brome, Eye, Suffolk. Since 1988, its hostas have won gold medals and the owner, Sandra Bond, has emerged as the nursery trade's queen of this family. Hostas and their huge leaves are wonderful plants for exhibition when they revive and glisten at the touch of a hose.

So many new varieties have been bred in Britain, America and Japan that we all need time to digest them and see them at maturity. Sandra Bond's display refutes the critics who wonder if new means better. The best are not cheap, but I could not resist the enormous leaves of one called Sun and Substance, which is not over-priced at \$8.

Somewhat, my feet seemed to have survived Chelsea's crowds after all and my vision is no more peculiar than usual: for me, this year, H T will stand not for horticultural therapy but for an extravagant Hosta Treat.

## A Garden to Visit

# Historic views on a Cornish headland

Arthur Hellyer on one of Britain's finest landscape parks

AT THE extreme south-east corner of Cornwall, where the rugged coast turns northwards into Plymouth Sound, there is a bluff headland which is nearly filled by one of the finest landscape parks in Britain: Mount Edgcumbe, home for centuries to the Edgcumbe family.

When Richard Edgcumbe built his turreted mansion there in 1647, he sited it halfway up the northern end of the headland, exposed fully to the sea and the sound, with a direct view of Plymouth across the water and Dartmoor in the far background. To highlight this outlook, he planted a double avenue of trees, with a wide grass ride between them, centred on the house.

There are other equally impressive views, particularly south-east and south towards the Channel, and later genera-

tions were to take full advantage of them. For the moment, however, the Edgcumbes contented themselves with their 800 acres which they used as a hunting park. Over the years, this began to develop an increasingly composed quality, with many fine belts and copices of trees, plus occasional isolated stone pines to add an element of drama.

The only really level ground is by the sea, just to the south-east of the double avenue. It was there, fairly early in the 18th century, that a wilderness of trees and shrubs was planted. At that time, this was a very fashionable idea for getting away from the formality of much garden-making. The Edgcumbes showed a lively appreciation of what was going on by doing all planning and planting themselves, right up to 1971 when the property was sold to Plymouth City Council

and Cornwall County Council. In all that long period, the family sought the advice of only one nationally-known gardener: William Mason, who provided help in turning a wilderness into what is known now as the English garden. But thereby hangs a story which was to affect the garden, and the fortunes of the Edgcumbes, profoundly.

In 1778, there was a threat of invasion by the French and Spanish fleets, and the War Office demanded that all Mount Edgcumbe's trees and shrubs near the water be felled lest the enemy use them as cover. The order, which included the complete destruction of the wilderness, was obeyed. A couple of years later, the Edgcumbe who then owned the property was made a viscount - an honour which soon became an earldom.

The following years saw a great burst of activity at Mount Edgcumbe, and this took two forms. The landscape

was improved further by the addition of a circulating road known as the Earl's Drive, which incorporated various architectural features, some already in place and others newly constructed. In addition, a great natural amphitheatre facing Plymouth Sound was planted with trees and shrubs which, as the years went by, became more and more exotic. Eventually, this area became a very fine example of a 19th century woodland garden, complete with rhododendrons, camellias, magnolias and other fashionable species.

A quite separate development, concealed from the amphitheatre by trees and hedges, included Mason's English garden and, at a later date, two other specialised gardens, one Italian in style and the other French. These allowed other architectural features to be used: an orangery and a balustraded stairway with statues in the Italian garden; and a conservatory in the



One of the many beautiful vistas at Mount Edgcumbe

French garden, where there is also a shell fountain, a trellis arcade, and some colourful bedding-out with plants in season.

Since Mount Edgcumbe was sold, two more specialised gardens have been made. One is devoted largely to American

plants, both to commemorate the US soldiers who were stationed there during the Second World War and to acknowledge family connections with America; the other a New Zealand garden with NZ plants and a spectacular geyser which spouts every 20 seconds or so.

Much of the mansion was destroyed by fire bombs during the war, although it was rebuilt afterwards in much the same style. But another new garden, known as the Earl's garden, has been made behind this building, in Victorian style, with trees, shrubs, flower beds and well-kept lawns. Here, at the back of one of the lawns against a steep primrose bank, the wild British orchid known as lady's tresses has established itself and flowers

freely. It is preserved by adjusting the mowing regime to suit the orchid's period of growth - proof that excellent conservation is not incompatible with highly-disciplined gardening.

As if to acknowledge how firmly this historic garden has been linked with our own times, it now contains the national collection of camelias, most of them planted in the amphitheatre, where conditions are ideal. There are already 450 varieties and, no doubt, many more to come.

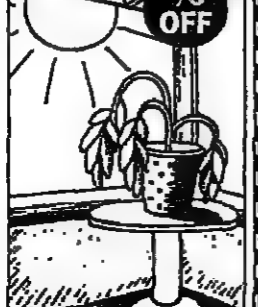
■ Park and gardens are open daily all year, free of charge. The house and the Earl's garden are open April 1-October 11, Wednesdays to Sundays and bank holidays, 11am-5.30pm, for an admission fee.

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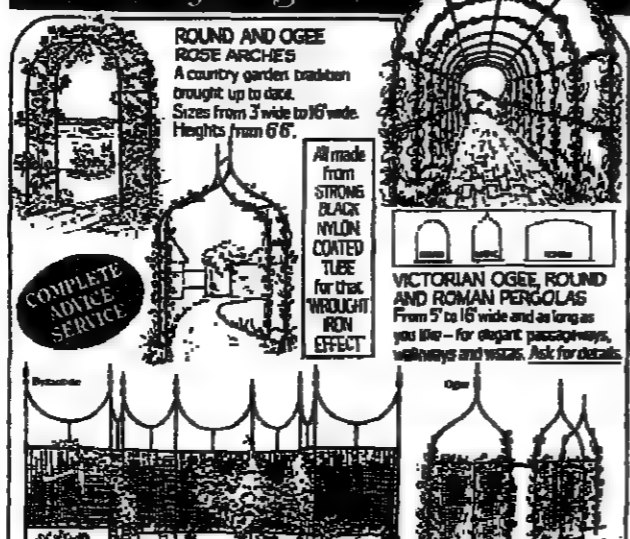
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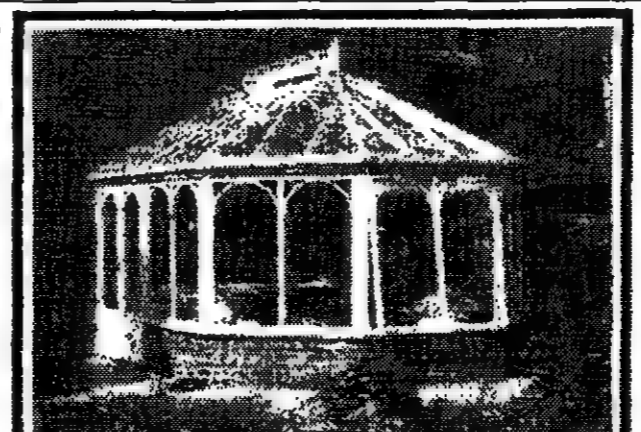


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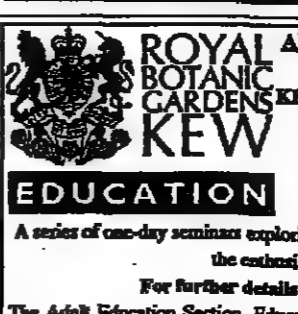
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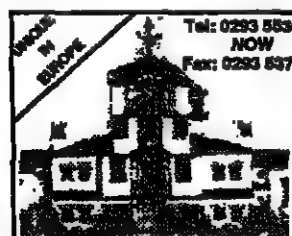
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## PERSPECTIVES

# Two men (and four fish) on borrowed time in a boat

FIVE am. Britain sleeps, on the brink of a heatwave. In the Northumberland fishing village of Craster, skipper Eddie Grey and his deckhand Eddie Williams lean over the harbour wall, studying the slaty North Sea and the mist draping the ruins of medieval Dunstanburgh castle. "Looks hashy, mind," says Eddie Grey.

The brisk southerly snaps at his woolly bobble hat. The southerly is a dirty wind, he says. It chomps the sea, scrambling the rolling "lip-pers."

So are they going back to their beds? No.

Eddie darts down the rungs fixed against the harbour wall and jumps, agile in knee-high wellingtons, into his little wooden boat, the Supreme. Craft like this - cobbles, successors to the Viking longboats they resemble - have been used for centuries, solely on England's north eastern coast.

Freshly painted in blue and white, the red canopy on the Supreme's sharp, rising bow lends her a jaunty air. But her flat-bottomed, blunt-ended stern is no-nonsense Northumbrian - designed so that fishermen without safe harbours can haul their boats up the beach. (In bad tides, the Supreme is winched up over ash logs in Craster harbour.)

A monofilament salmon net 600 yards long, 15 foot deep, topped with plastic corks, lies folded in the cobbles. For the right to use this net from March 28 to August 31, between 4am and 8pm on weekdays only, starting at 6am Monday and ending 6pm on Fridays, Eddie has to pay the National Rivers Authority (NRA) £775 a year.

Salmon is vital to him; he supports a wife and four children. But he may be living on borrowed time. The UK Ministry of Agriculture, Fisheries and Food (MAFF) has

been won over by lobbying, by Scottish and English riparian owners and anglers, convinced that the north east drift net fishery is depleting river salmon stocks.

While MAFF says it has no evidence of an "immediate threat" to salmon stocks from the fishery, it has "invited" the NRA to phase out the 143 drift net salmon licences between Holy Island and Whitby. The NRA's response is due next month.

The Supreme's wireless, together with its longitude and latitude navigator, are fixed under the canopy.

**Chris Tighe on why North Sea salmon fishing may be a dying trade**

Eddie-the-deckhand jumps into the boat; she glides between the piers. Eddie-the-skipper gazes ahead, left hand on the tiller at the stern.

Decide Eddie turns up the diesel engine throttle. The Supreme rises up and skates over the waves, dipping like a duck, surging over the tumbling ebb tide. A wall of water looms; the little craft flies over the foam.

Eddie-the-skipper's left hand seems scarcely to move. The cobbles is so low in the water that you can touch the sea - yet it barely splashes inward. (Later he explains how the cobbles, made of overlapping larch planks riveted with copper nails, must be nudged and "shouldered in" to each wave, steering straight across could crack a plank.)

Two miles out, he stops; it is time to shoot the net across the tide. This "net" is actually nine separate nets joined together by hand, in varying colours, the better to fool the fish.

By 6am the net is played out. The Supreme glides away from it, its engine off, the kettle goes on a camping stove for tea. The two Eddies munch sandwiches as the 33 foot cobbles is buffed about. They never feel "shabby" (seasick), but sometimes landlubbers have been so violently seasick that they have had to be helped to the only place to lie down: the board over the engine.

Breakfast over, everything is put away. "I don't like slovenliness about a boat," says Eddie.

Care of the Supreme, bought new for £15,000 in 1979 (with the help of some grant aid), is of great importance: cobbles, craftsman-made by eye, today cost more than £60,000 each. Eddie Grey, who is 42, must keep his craft going if he is to have any chance of working all the way to his retirement age.

The two Eddies steer the cobbles along the length of the net. Then they spot it - a silver flash of salmon, caught by the gills. Skipper Eddie hooks the net; deckie Eddie leans overboard, brandishing a circular net on a long pole. They grab the fish, prise it out, throw it aboard; it gasps, quivers and is still. A second salmon follows, a big one.

The net has also trapped two guillemots. Gently, the two Eddies slip them out. Deckie Eddie, a pigeon fancier, cradles the birds, stroking them, then lowers each one on to a wave. They squawk, and fly away.

The cobbles called the Supreme has no wind; 600 yards of net must be pulled in by hand. The men haul, one each side. They move on, shoot the net again and retreat. "This job needs patience and perseverance," says Eddie Grey. "It's boring sometimes."

More tea. Suddenly some corks disappear. It's a seal. "You get a fish in the net, then along comes Whiskers and eats it before you can get it on board," Eddie laments. He tweaks the net. They pull in a



The two Eddies, skipper and deckhand, head out to sea from the Northumbrian coast

salmon and a sea trout, haul the net and move again.

The sun is high; the dawn chill has gone. Somebody eight miles further out radios to say the crab fishing is dire. The Supreme, like most cobbles, fishes for crabs and lobster too; Eddie uses 240 pots, all hand-made at home. Crab prices are poor; lobster at £5 per pound, and salmon at about £3, are better. But octopi prey on lobsters in the pots, sucking out the flesh. And lobster and salmon stocks are declining.

The licenced north east driftnet catch comes to a total of about 40,000 salmon a year, and similar

numbers of searout. Its critics call the nets "curtains of death".

"That's a lot of tommyrot," says Eddie. Colin Warwick, a Northumbrian cobbles fisherman arguing the men's cause on national committees, thinks so too. A North Sea drift net, he says, is "like a pair of shoe laces in Wembley stadium."

"It's really a class battle," says Warwick. Eddie agrees. "They just want the lords and ladies to catch salmon - and the people with money, who pay thousands for a day's fishing."

Cobblesmen blame salmon decline on pollution; overfishing in Green-

land; illegal netting by part-timers. Taking away their licence, they say, would force them to put more pressure on other stocks of fish.

Back in harbour, the two Eddies carry their four fish to Robson and Sons, the Craster kipper-curers. (The proprietor is retiring; the business is for sale.) The three salmon together weigh 33 lb; they will go to Billingsgate. A visitor buys the trout.

Back home, in the house he is buying on Craster's little council estate, Eddie Grey must organise tomorrow's lobster pot bait. Even with salmon fishing he will count

himself very lucky if he earns £10,000 this year - after boat, licence and insurance overheads. Before the war, 30 cobbles fished out of Craster; now there is only the Supreme. Eddie-the-skipper, last of a line of kipper curers and fishermen (he renounced his longing for a son to take to sea after his fourth daughter was born) is desperate to continue fishing.

"I suppose I'd be pretty useless on land; but if somebody off the land was going to do my job, they couldn't. It would be bloody awful if I had to pack it in. I just love the sea; I'm cobbles daft."

## Peace work woven into UK history

THE GREAT steam engine - 500 horsepower, almost a century old - chugs and faster as the piston starts driving the huge flywheel. The engine is called Peace, and it is spotless. Brass gleams. Every part that needs oiling is oiled. Down below, in the weaving shed of the Queen Street Mill in Burnley, 50 of the thousand looms the engine once drove are hitched to the drive shaft, and begin to make cloth in an infernal clatter.

The mill, now Lancashire's museum of weaving, is as special as the Historic Dockyard at Chatham in Kent, and as well worth a visit. It stopped working commercially only in 1982. As at Chatham, "everything is still there," Ersatz her-

**Gerald Cadogan visits a unique mill museum in Lancashire**

itage is unnecessary. The mill is all real: it still produces cloth. Its power comes from the last steam engine still working in Lancashire - probably in Europe - in a mill. Invited to see the engine start, childhood memories of steam trains crowd back (but no driver had ever asked me on to the footplate). In the mill, entering the engine room was such a privilege that even the boss had to have the engineer's permission. If his clothes caught in the machinery, the engine could run amok or explode - and put everybody out of work. The engineer ruled by circumspection and cleanliness. Carpet or polished wood floor round his engine made that clear - and visitors had to take their shoes off, the boss included.

The Queen Street Mill stands in Harle Syke, an industrial village on a hill on the edge of the countryside outside Burnley, once the cotton-weaving capital of the world. The first mill was built here in about 1855. In the 1980s there were four more mills, joint stock companies and co-operatives. The workers built their own houses: a proud, well-maintained village, then and now. The co-operative tradition, which began in 1944 in nearby

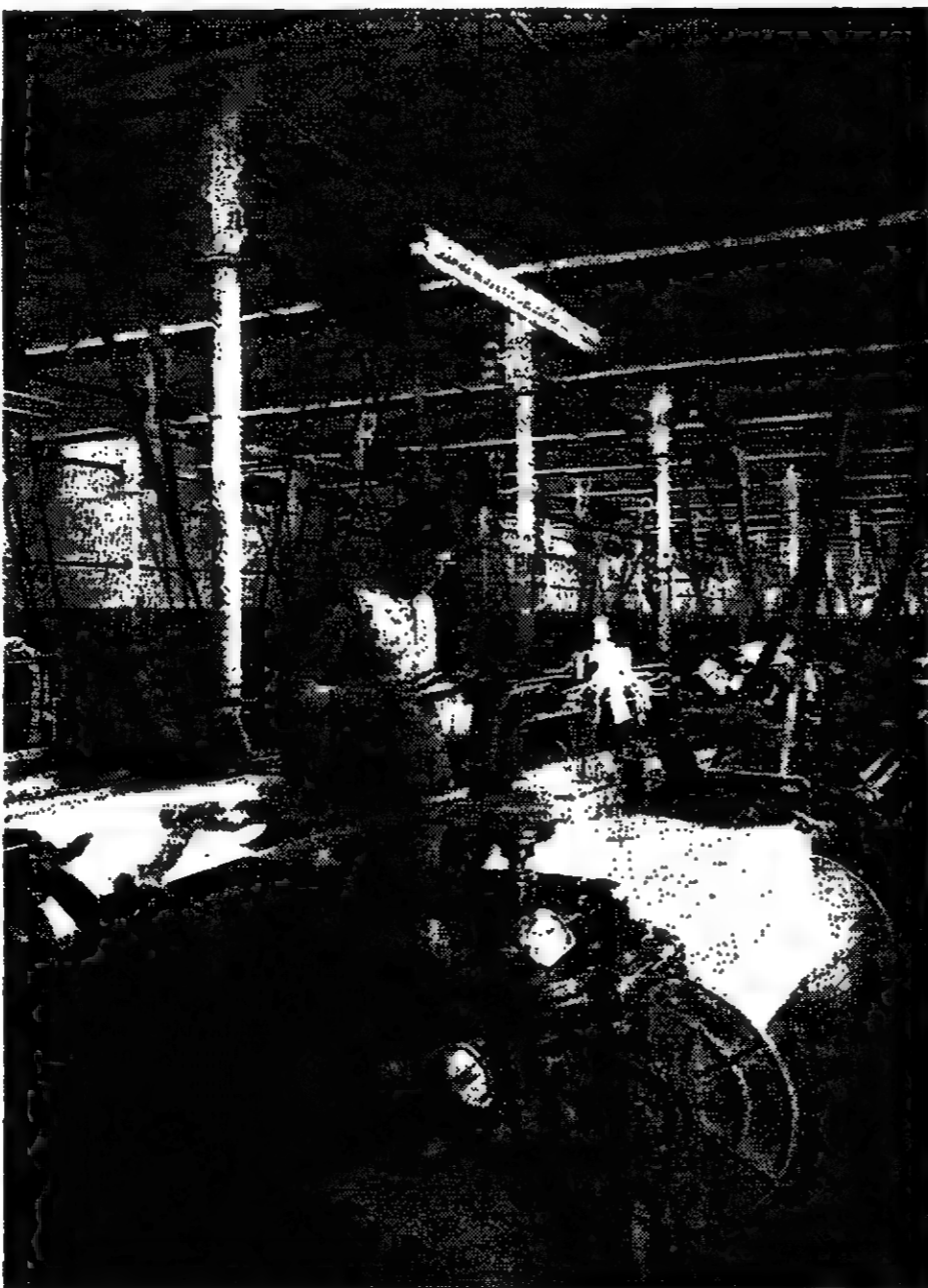
Rochdale, enshrined a sturdy independence, an early version of property-owning democracy. Houses are in neat rows, their window surrounds all painted dark blue or black. Harle Syke and Lancashire cotton were at their peak when the Queen Street Manufacturing Company appealed to the villagers for £20,000 capital as a co-operative in 1894, offering 4000 shares at 5s each. Until it closed in 1982 it paid dividends to shareholders then scattered across the world: to children and grandchildren, gone abroad to seek work.

Between the world wars the mill was surprisingly successful. It had to lease looms in the next-door mills, making large amounts of Lancashire "grey cloth," and flannelette. After the second world war, foreign competition made business hard: the narrow Lancashire looms wove cloth only up to 42 inches wide, thus ruling out, say, double sheets. And the only patterns the mill could manage were stripes.

As a working museum the mill had a slow start. But its future is now assured, with large capital grants from English Heritage (£500,000), the National Heritage Memorial Fund (£200,000) and the European Regional Development Fund (£250,000) - a recognition that this place is unique. Lancashire County Council and Burnley Borough Council contribute to running costs.

Retired millhands now work the machines powered by Peace, and produce cloth to sell. You can buy old fashioned "granddad's shirts" in warm union cloth (68 per cent cotton, 32 per cent wool) at £25.50, and nightshirts in fine long-staple Egyptian cotton, which the mill still imports from Alexandria. Bread-and-butter business is making gauze for bookbindings and plasterer's scrim, at 5p a metre. But the mill also makes shawls to send to Jerusalem: top-quality, at £17.50 a metre. "Something to do with religion," says Jack Wood, the weaving supervisor. Nobody knew if the shawls were sold as "Made in Lancashire."

In its heyday the mill had been an efficient business and, as a co-operative, free of labour troubles. There was only one fatal accident: to a cloth salesman in 1942. The mill was rebuilt after a bad fire in 1915 - and then, too, the engine's name was changed, from its



Looms begin to make cloth with an infernal clatter

original Prudence, to Peace, to mark the end of "the war to end wars."

Pay was about £1 a week in the 1890s; by the outbreak of the first world war, in 1914, this had risen to one pound six shillings. Working hours were 6am to 6pm, with no shift work, and no working on Sunday. Arthur Martin, who was engineer when the mill closed in 1982, told me his working day was even longer: he started at 6am, "to get up steam," and stopped at 7.30pm. In 31 years he had had only one week's holiday.

At its peak Prudence/Peace ran 1080 looms. Now driving only 50 looms, "it does not have enough weight on it. It really needs 500-600 looms." The clatter of the weaving shed is overwhelming; deafness must have been universal in Lancashire. The workers chatted by means of mouthing and lip-reading ("muc-maw-ing," as it was called). They

were paid by the piece - "piece work," and fined if their cloth had a fault. All cloth was labelled with the name of its weaver.

In the "drawing in" or "knotting" room, the threads are drawn in and knotted to make the warp (the lengthwise part of the cloth). The shuttle then crosses back and forth, carrying the (shorter) weft or wool; the result is the woven cloth. Nowadays, mills move mobile knotting machines round the shop floor from loom to loom.

The knotter points out: "They have to stop the loom when knotting." In the old system, the new knotted warp could be quickly put on, and the loom started again at once.

I ask about the decline of Lancashire cotton. In Harle Syke, the knotter says, only one mill was in commercial operation; there used to be 12. "We were always at a disadvantage," Yorkshire had wool on its doorstep, and Northern

Ireland had flax, but Lancashire had to import the cotton - unlike North Carolina, which grew it on the spot.

The rain pours down - but cotton needs a damp climate to stop the threads breaking on the looms. Visiting the mill, it is easy to see how the tough, communal life of cotton working nurtured the co-operative movement. All depended on one other, and the weavers all bought shares and trustfully called the engine Prudence.

Prudence/Peace and the mill are a unique part of UK history - something to be proud of. As she nears her century, the mighty machine is still going strong. She deserves a telegram from the Queen.

■ The Queen Street Mill Museum is 10 minutes from Burnley centre: take a number 50 bus from Burnley bus station. The engine runs, and cloth is woven, on Wednesday-Friday from 10.30am-3.30pm. Tel: 0622-412553.

## Bridge club bids for the big time

SIXTY YEARS ago this year, in a recessionary climate just as bad as the current one, Ely Culbertson opened a new bridge club in New York. He called it Crockett's, after the famous London gaming club. Culbertson was by far the most flamboyant, as well as the most commercially minded, bridge player of his day. More than anyone else, he was responsible for popularising a game which is now played by millions worldwide.

His dream was to start a new club where players could play high-stake rubber bridge in surroundings as elegant as those of the gaming clubs. He hoped not only to make some money, but to establish bridge as an accepted - even prestigious - part of New York social life. These are qualities which the game of bridge lacked then - and lacks still, some would argue.

Sixty years on from Culbertson's new business venture, something similar is afoot in London. February saw the opening of a new bridge club, TGRs in Hyde Park Place, just off Marble Arch. Its owners share several of the same objectives as Culbertson. Their aim, which they have backed with an investment of £500,000, is to establish a commercially-run club where bridge of a high standard can be played in comfortable surroundings.

For anyone accustomed to playing golf or tennis in a competitive way, this may sound like a modest objective. But as those who have gone in search of some bridge "action" in London can testify, it is not easy to find the right combination of high-calibre play and high-quality surroundings. There are 20 or so bridge clubs dotted around the capital. All have their own distinctive character and their own band of dedicated aficionados. However, many are united by their somewhat shabby surroundings, smoky basements and dingy rooms. Where food and drink are available, quality and service are often rudimentary. And while those who belong to the clubs are enthusiasts for the game, they are not, always, always enthusiasts for their fellow human beings - one of the paradoxes of a game which depends on partnership rather than individual skill.

That is one reason why the best high-stake bridge games in London have always tended to take place in the more sociable surroundings of Clubland rather than in bridge clubs. The most famous bridge-playing club in town is not a

bridge club at all but a private club, the Portland, sometimes known as the MCC of bridge. In the bridge world it is renowned for two things. By tradition, it lays down the rules of the game, and it bans the use of any bidding conventions. It is also rather difficult to get into.

The new club, named for its manager, Irving Ross, a well-known former international player, therefore marks something of a breakthrough in the development of the game in London. It may also be an early move towards the further commercialisation of a game which, while it boasts some 2m players in the UK, remains notably under-exploited compared with other popular indoor pastimes, including chess.

Among the things the new club has inherited is what Ross claims is the highest-stake game in London. This takes place two or three nights a week and is played for stakes of £100 a hundred - sufficient to ensure that several thousand pounds can change hands of an evening - still less, in real terms, Ross observes, than newspaper proprietors and others used to play for in the uninhibited 1980s.

However, most games at TGRs are however played for more modest stakes of between £1 and £10 a hundred. The membership covers a broad cross-section of abilities, from international players to enthusiastic amateurs.

A number of well-known international players take part in the £100 game. Among them, when I watched, was Zia Mahmood, a flamboyant and brilliant Pakistani who some believe is the world's best player. In a recent book, Mahmood describes how he learnt the game in London's bridge clubs after tiring of his life as a qualified accountant, "the only profession," he declares, "with a more boring image than bridge."

The hope of Rose and his backers is that the presence of such charismatic players will act as a magnet to visitors to London. "What we are offering," says Rose, "is a high class fair game played for fun. A lot of our members love their bridge and are happy to pay to play with good players in pleasant surroundings. What we are hoping to prove is that there is a market for providing them with the kind of club that they want." The shade of Culbertson, at least, will be nodding in approval.

Jonathan Davis



## BOOKS

# Never mind the words, listen to the voice

Max Loppert on Peter Pears' biography

THE BIOGRAPHIES of famous singers form, by and large, a marginal part of music-book publishing. Few, in truth, are the tales that really needed telling; few are the singers who in some way renewed or creatively altered their chosen medium, through the preservation of names, dates and places connected with a significant vocal career will always benefit the opera or concert historian, this only tends to confirm the minority-interest rating of the final product.

In the ranks of shining exceptions to that rule, a first biography of Peter Pears ought to stand proud. His 40-

year relationship with a composer of genius changed both men, crucially and with resonating consequences for the history of 20th-century music. In a sense, Benjamin Britten invented Pears as an artist. Without encountering the composer, as Christopher Headington's book makes clear, the tenor might well have remained no more than a minor concert singer, sensitive, attractive but unforced, and technically unpolished in the use of his instrument; the first flush of emotional and physical involvement between the two men marked the real onset of Pears' startling artistic development. And though it is fruitless to speculate what Britten's own compositional progress might have been without Pears, the arrival of a work as explosively significant as *Peter Grimes* does seem hard to imagine.

PETER PEARS: A BIOGRAPHY  
by Christopher Headington  
Faber & Faber £20, 351 pages

In another sense, the biography of

the singer becomes a notable addition to the growing quantity of biographical material published about the composer. That, too, should make a Pears biography "important": he was not only the defining voice in all the music written for him, but an increasingly powerful influence over all of Britten's compositional ideas and ambitions. The relationship was, in Pears's own words, "passionately devoted and close", and it therefore reverberated in innumerable fascinating ways through every one of Britten's achievements.

All the sadder, then, that Headington's Pears should prove to be, on the whole, such a dogged disappointment. It is not without documentary value. The material has been marshalled with sober care and punctilious concern for detail. To excess, indeed, in the passages concerned with the minutiae of Pears's tastes and domestic life - we learn, for instance, that "he enjoyed a cup of tea, and his and Britten's standard choice was Earl Grey mixed with Darjeeling, though they did not think the Aldeburgh water was good enough to enjoy it at its best", a not untypical example of the parish-mag tone and style.

The facts are there, in plain abundance: Pears's ancestry (generations of military precedence him, which lent a specific thrust to his early pacifist convictions), the first twists and turns of his career, the early awareness of homosexuality, the early relationships and phases of friendship with Britten (they knew each other for a couple of years before falling in love), the exact stages of his development into a singer of international fame, the travels and diary entries. Headington has had access to some previously unpublished Pears material, and uses it judiciously.

Much of all this carries its own inherent interest. What I badly miss, though, is the genuine biographer's instinct for not only tracing patterns

but illuminating them. But perhaps one ought not to be surprised at this central weakness. The book is, we learn from the preface, the "official biography" - a sobriquet that always sends a shudder of horror down this particular reader's spine. In some ways, that instant response is unjust. The author, a composer of some distinction who knew Britten and Pears from his student days, published a Britten biography in 1981; his feelings of friendship for both are honestly admitted at the outset.

Nevertheless, the "official biography" air - and, above all, the Aldeburgh Establishment seal of approval which the book proudly flourishes - is apparent in the pall of

biographically limiting *parti pris* loyalty hanging over it. Controversy is avoided.

There are hints of the autocratic influence over performers that Britten and Pears increasingly exercised as the Aldeburgh Festival took root but these are left largely unexplored. Cases of those regulars who after some offence or misdemeanour suddenly became Alderburgh non-persons - Charles Mackerras and Robert Tear, to name just two - are generally avoided. Headington quotes Pears on an unspecified "two-faced Welshman", an in-group reference to Tear that ought to have been opened out and more fully examined, with investigative impartiality, as a way of coming to

grips with the complexities of the singer's character.

Most disappointing of all, however, is the failure to illuminate Pears's voice, his singing, his influence for good and, indeed, bad over subsequent generations of English tenors. After all, this was a voice that sharply divided opinion, a voice passionately admired and no less passionately disliked (and this through the medium of the gramophone it remains). Four pages on Pears in John Stane's *The Grand Tradition* say more about that voice - its unsteadiness, its lack of body, its unique ability to shade and colour, its profound feeling for the inner meaning of words and notes - than all of Headington's 351.

## Fiction

## Visionary trip through English literature

Mary Hope reviews Peter Ackroyd's latest novel

"SHAKESPEARE AND Dickens too hard, say teachers", reads a headline in the *Sunday Times* this week. The report continues: "teachers claim that set texts central to the back-to-basics drive by ministers, are beyond the abilities of too many pupils..." This depressing item seems to emanate from a different world from that inhabited by Peter Ackroyd, whose new novel, steeped and saturated as it is in the English literary tradition, is both a passionate argument for the recognition and acknowledgement of an all-pervading Englishness of spirit and also a moving account of the infinite delicacy and complexity of a father-son relationship.

There is a straightforward central narrative. Clement Harcombe is a charismatic healer, who, accompanied by his son, Timothy, holds meetings for the oppressed and depressed of the East End in the years after the First World War. Timothy narrates, in alternative chapters, the story of his father's "cures" (which seem, mysteriously, to require his son's presence); his own removal to Wiltshire to live with his mother's parents; his school days; his attempts to rejoin his father who moves further and further into destitution until he is finally discovered in the circus from which he originally emerged. The growth of Timothy's consciousness, the way in which the silk of knowledge and inheritance is spun from parental cocoon to filial pool, is movingly achieved with an authorial voice which is more simple and intense than anything Ackroyd has previously demonstrated in the ventriloquisms which have become his trademark.

But sparkling ventriloquisms are also integral to Ackroyd's main purpose here, which is an extended exegesis on the idea of Englishness, and an implicit paean of praise, through the medium of inspired pastiche, for English writing. Timothy's life is punctuated by visionary dreams, nourished and triggered by the extensive reading encouraged by his father. Every other chapter is an excursion into a visionary literary England, made up of images which are part of the hallowed heritage of those of us lucky enough to pre-date the benighted subjects of the *Sunday Times* report.

Falling asleep as his father reads to him, Timothy meets Alice and Christian in a chapter written, if it can be imagined, by Bunyan and Lewis Carroll; watching the film of *Great Expectations*, he too is grabbed by Magwitch and enters the world of Miss Havisham, Pip and Estelle; as he searches for his father he dreams of the detective Austin Smallwood; he dreams of Crusoe's Island, of William Byrd, the father of English

music, and he journeys through London with Hogarth. In another chapter, triggered by his spell as a picture gallery attendant, English landscape is celebrated.

We know already, from *Hawksmoor*, *Chatterton* and *The Last Testament of Oscar Wilde*, that Ackroyd can throw off any impersonation he feels like; and here he proves himself yet again to be the very Rory Bremner and John Sessions of the current literary scene. He can dazzle effortlessly and at not inconsiderable length.

To read Ackroyd, the playful pasticheur, is to be put through a series of severe tests (an extensive knowledge of English literature is an advantage) but, as all bird-watchers know, there is nothing like the pleasure of a positive identification. More seriously, it is sometimes

ENGLISH MUSIC  
by Peter Ackroyd  
Hamish Hamilton £13.99, 400 pages

rather too much like watching those games of charades which are more fun for the performers than for the audience.

But the real problem is one of weight and balance. It is possible to feel that Ackroyd's idea of Englishness - order, harmony, good sense, "lines of light", forms of landscape, faces and limbs which occur in all generations - is used as the passionate argument of this capacious book, not because it makes sense in itself, but because it is what he knows about and is good at. There is an uneasy whiff of the obsessive autodidact in much of the pastiche passages, and in the way in which everything is grafted to his thematic mill: the bones of the argument are just a little too prominent.

On the other hand, the story of Clement and Timothy is an almost self-contained narrative of great depth and feeling; the delicacy with which Ackroyd traces how a son only comes to know his father by degrees, how misconceptions are gradually stripped away, how knowledge changes and deepens love, is wholly successful.

It is in these sections of this sprawling work that the order and harmony that Ackroyd sees as the hallmarks of Englishness truly reside. Indeed, in a sense, the execution of this book, itself gives the lie to the author's central thesis: there is an overwhelming, verbose cloudiness in the central visionary passages which denies all the harmony. But, nevertheless, the book is a splendid experience, an affirmation of the cultural spirit which has to survive, in spite of the current difficulties with those set texts.

## Crimes and lies protected

THIS WELL-crafted thriller is based on an intriguing set of counter-factuals. What if Hitler had won the war in the east and realised that the Allies had cracked his signals code? What if the West could only guess at the fate of the Jews?

Robert Harris, better known as a political journalist and biographer, has imagined the history of greater Germany, an undefeated Nazi state in which the fevered imaginations of its founders have been given free expression. Thus we find ourselves in 1964 Berlin as grandiosely re-built by Albert Speer, a capital resplendent with grotesquely impressive monumental architecture. The Führer is alive and well, his Reich is in a state of perpetual war, and his people are paranoid worshippers of a refined and thoroughly brutal creed. Harris's grim picture is convincingly painted.

The story tells the unravelling of the Reich's secret history. When a body is washed up on the shore of an exclusive lakeside retreat, the Kripo, or criminal police, are called in. Enter the standard outsider of the thriller genre. In this case, he is Xavier March, war hero, divorced, suspicious, disillusioned and

an SS officer, but above all a detective, unable to suppress his instincts for loose ends even when he knows his career will suffer.

March discovers that what looked like a routine accidental drowning is a murder in which the Gestapo is implicated. A massive art fraud is uncovered and that appears to be that. But then March connects the murdered man with a series of

FATHERLAND  
by Robert Harris  
Hutchinson £14.99, 372 pages

other apparent accidents in which senior and retired civil servants have died. All were involved in the mass transportation of Jews during the war. But who is bumping them off, and why?

There are plenty of familiar twists to the plot, but Harris has done his research and the details freshen the narrative. It is his evocation of a totalitarian system struggling to hold itself together by protecting the crimes and lies on which it was built that makes the book a satisfying and slightly disturbing read.

Andrew Freeman



## Painter of charm and menace

Belgium for good. Magritte's chief point of difference with the Paris-based surrealists turned on the degree of conscious control exercised by the painter over the imagery in the painting. Pure surrealism insists on the artist totally letting go, on a great gush of subversive imagery welling up from the unconscious and spilling frighteningly onto the canvas. Even in Dalí's paintings, where the flow seems to be totally asso-

MAGRITTE  
by David Sylvester  
Thames & Hudson £45, 352 pages, illustrated

ciative and uninhibited, there is too much control for the surreal purist, and far too much for him in those of Magritte.

When after the Second World War, a new international surrealist exhibition opened in Paris in 1947, the official list of surrealist painters did not include the name of Magritte; but by then he had become too important to be wholly excluded and they compromised by hanging some of his work in the category "Surrealists in spite of themselves".

At that time Magritte had, as it happened, temporarily turned away from surrealism to experiment with a painterly parody of impressionism - a rainbow palette applied to females *à la Renoir*. Some of these curiously atypical Magritte works are included in this book, and Sylvester explores the economic as well as the psychological motivation behind this phase of Magritte's career. He thinks the quasi-impressionist paintings have been undervalued and he has an even stronger admiration for the work of the brief, violent fauve period that followed.

Magritte's dialogue with Breton was to continue for many years. Magritte defended his combination of "charm and menace" by reference to the Alice books. Like Carroll, Magritte achieves his effects of witty disturbance through a misuse of logic. Writing to his little girl friend Carroll would pick on an expression of ordinary speech such as "it is raining cats and dogs" and interpret it literally. In Magritte's late, great painting "Golconda" it is raining little men in bowler hats. Carroll's trick of subjecting Alice's body to magnification or diminution is

pure Magritte. Sylvester distinguishes several more types of distortion employed regularly by Magritte - displacement, defiance of gravity, transparency, and in some beautiful late *grisaille* paintings, petrification. In these paintings the human beings and their environment have turned to stone.

The book subordinates the biography of Magritte to the task of tracing his inner development as an artist. In one illuminating chapter Sylvester discusses the significance of the titles of the paintings which usually have an abstract or oblique relation to the content, and in another he deals with the series of paintings in which objects are labelled with words that apply to something else. Magritte came here as an absolute godsend to Derrida and the deconstructionists with their mistrust of language. Foucault has a 60-page essay on the famous painting by Magritte, "The treachery of images", the oil painting of a pipe under which is writ large "This is not a pipe".

Whether or not the object depicted there is in reality a pipe, what is beyond doubt is that Sylvester has given us a fine book about Magritte, calmly authoritative and lucidly perceptive. His publishers have done him deservedly proud in both lay-out of the text and the copious illustrations.

Anthony Curtis

## Responses to God

IF SOMEONE says, "I believe in God" he means one of at least three things. He believes that God exists; or he believes that God is a reliable source of information, as conveyed by revelation; or he trusts in God's interest and protection and acts in response to them. Someone who believes in this third way must also believe in the two preceding ways. Someone who believes in God's revelation does not have to respond to it, but he must believe that God exists. But someone who believes that God exists need neither believe his revelation nor place trust in him. One may, of course, not be sure about God's existence, and therefore be an agnostic; or disbelieve it outright, and therefore be an atheist.

Faith is a narrower concept than belief. It is one of the theological virtues, along with hope and charity. Aristotle believed that there is a divine and self-moving Prime Mover,

WHAT IS FAITH?  
by Anthony Kenny  
Oxford University Press £5.99, 125 pages

but this belief is not faith in God. Marlowe's Faustus, teetering on the brink of damnation, sees "the blood of Christ streaming in the firmament"; so he still has faith, even though he has lost hope and charity.

In this book Anthony Kenny investigates whether religious faith is reasonable. It is a problem which invites many approaches, so we find him asking whether we can know God only through revelation, and whether we can resolve the conflict between, on the one hand, the idea that the universe manifests benevolent design, and on the other, the "Problem of Evil" (how the existence of moral and physical evils in the world can be consistent with its creation by an allegedly good deity). These and related discussions occupy the book's second part. In the first part Kenny tackles the central issue: whether belief in God, in the first two ways described, makes sense. His chief question is not, does God exist? but instead, is it rational to believe that God exists?

Few can be better qualified to seek the answer. Kenny is a highly distinguished philosopher who was once a Roman Catholic priest. Until lately Master of Balliol College, Oxford, and now Warden of Rhodes House and President of the British Academy, Kenny has written much and widely.

A.C. Grayling

## Novelist in the making

WHAT CAN be added to the biography of William Faulkner at this point in his posthumous career? It is 30 years since his death. The authorised biography appeared 20 years ago, and, before and since then, there have been many other works of exegesis - biographies more or less ephemeral, critical assessments, monographs. We know him as one of the masters of American modernism, amongst the trickiest and most intricate in his plays of verbal artistry - too tricky for popular consumption, some would even argue; positively notorious for his own homespun brand of inaccessibility.

What we know less about, and what the book under review provides - is where all this writing came from; how he expressed himself between the ages of 12 and 27; where exactly all that raw material, the stuff of such earlier fiction as *Soliders' Pay*, and even the later masterpiece, *As I Lay Dying*, was experienced as life, to be thematically enriched later on when it was transferred to the written page. This collection of youthful letters home to his parents helps us to

understand some of that. William Faulkner (his name was actually Falkner; he added the "u" himself) was born in the small, sleepy Southern town of Oxford, Mississippi, and his first foray north happened in 1918 - he took a job, organised by a friend who was studying at Yale, in an armaments factory in New Haven, becoming, for the first time in his life, "a full fledged working man" toiling alongside 18,000 others. Why did he leave in the

THINKING OF HOME - WILLIAM FAULKNER'S LETTERS TO HIS MOTHER AND FATHER, 1918-25  
Norton £16.50, 253 pages

first place? One theory has it that he needed to escape from the pain he felt at the marriage of his childhood sweetheart, Estelle Oldham. As a Southerner he was a subject of popular interest to the Yale types up there: "These people are always saying things to me to hear me talk," he tells his mother in an early letter. Everything is new to him about the people, the place. He

has his first sight of the sea. He marvels at the fact that the people speak in minutes, not miles, when referring to distances, and where are all those movie theatres he's so used to? What intrigues us about these letters home is the degree of his artlessness. There is no trace of literary ambition, no literary references, no literary theorising, and no evidence of the kind of self-conscious stylistic flourishes that one might have expected from a writer who was to become one of the greatest American novelists of the 20th century. The relationship with his mother is cosy, even babyish - he addresses her as "mommy", repeatedly saying "I love you, darling." He sounds over-protected, even over-indulged. In the letters to his father (an ex-railroad man), on the other hand - he often wrote to them separately - he is bursting with practical information about everything under the sun: the state of these new-fangled locomotives; the tickertape machines that he glimpses for the first time in his life.

He even asks his parents to pass on messages to each other: "Give dad my love and tell him that I have seen one of

the largest hardware houses in America." Mommy sends lots of food parcels to her wide-eyed, innocent boy. His acquaintances are amazed by the amount of correspondence he receives from home.

And yet, as time goes on, and he moves from place to place - after New Haven and having been stirred by the sight of British and Canadian war veterans on the streets, he enlists in the Royal Air Force, travelling first to New York and then on to Toronto, for a period of formal induction - he begins to write with some burgeoning consciousness of the imaginative effect of his writing upon others, and the phrases he starts to strike, still informally expressed, have a distinctly Faulknerian ring to them: "I can't realise that big, selfish Ed Bealand is dead. It's like hearing that a lightning-rod has been struck by lightning" is his breathless response to a piece of news from home.

The lineaments of the man are already becoming visible in the face of the babe.

Michael Glover

## ARTS

# Caro triumphs in Rome

William Packer admires the girders adorning the Markets of Trajan

SIR ANTHONY Caro now occupies a unique position in British art. Conspicuous in a generation of sculptors – it includes such luminaries as Paolozzi, Dalwood, Turnbull, Butler, Armitage, Meadows, Chadwick, Kneale – that emerged in the immediate post-war years, he stands alone, secure in a critical reputation that has continued virtually without question these past 30 years.

Abroad, the powerful critical voices Michael Fried and Clement Greenberg were loud in his praise, accepting him as the peer of David Smith and setting him into the wider context of current American art, most especially the colour-field and post-painterly minimalism of such as Kenneth Noland and Frank Stella. At home, he turned the sculpture school of the old St Martin's School of Art into a forcing house of younger talent, from King and Tucker to Flanagan and Long.

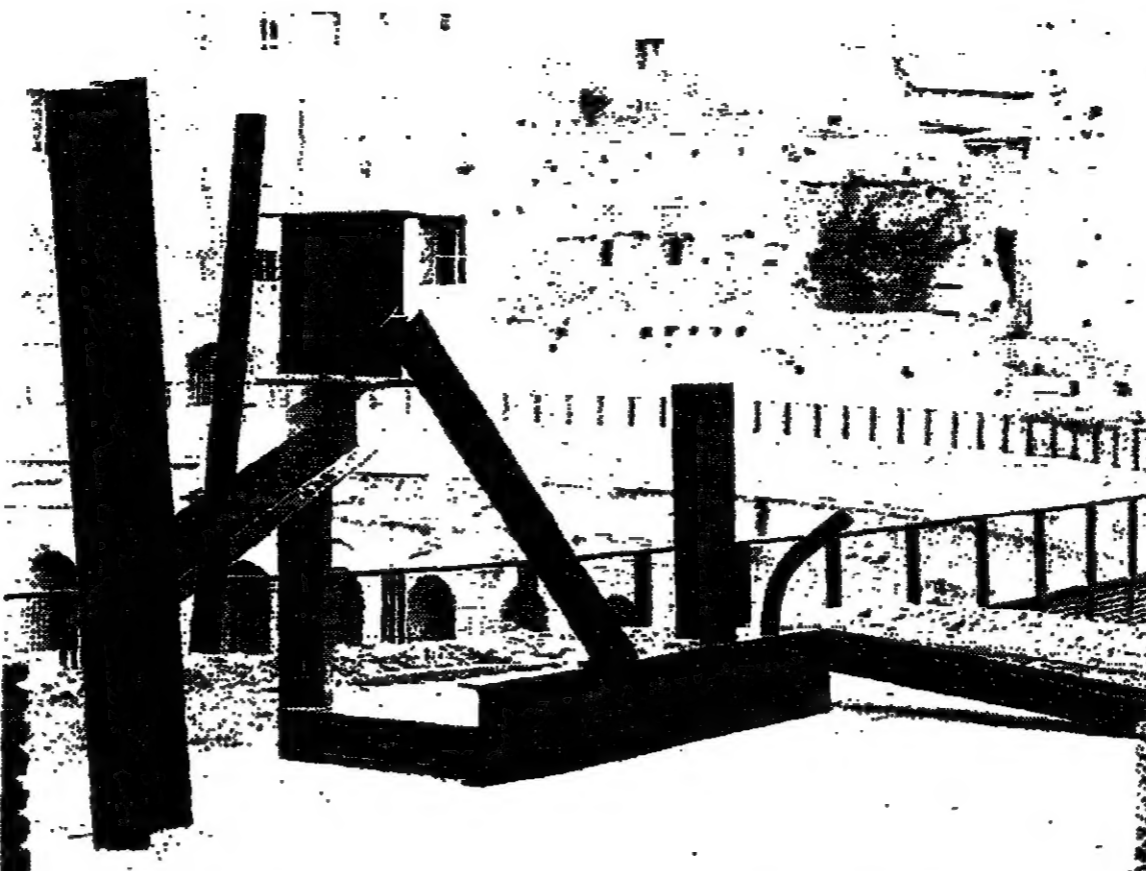
In short, since the late 1960s and the retrospective that was the Hayward Gallery's inaugural show, his has been a truly international reputation and more general influence of a kind that his sometime mentor, Henry Moore, came to command only in later middle age. Henry Moore was 74 when, almost 30 years ago, the city of Florence honoured him with a magnificent retrospective exhibition, set out in the open air in the Belvedere, high above the city. And now, at 88, it is Caro's turn, and in no less spectacular a setting, though this time in Rome.

The Markets of Trajan, built by Apollodorus for the Emperor a little

after 100 AD, survive as an extraordinary sequence of galleries, streets and terraces set into the Quirinal Hill high above Trajan's own forum and looking out across the heart of the ancient city to the Forum and the Palatine beyond. The entrance is from the back, by way of the Via IV Novembre, into a large hall beneath a massive vaulted canopy, with the ancient shops and stalls at two levels on either side. A broader stair goes down to the Via Biberatica, corruption of *piperata*, the street of pepper and no doubt sundry spices, of which the wonderfully worn flagstones lead up past yet more shops onto what is now more or less an open terrace.

And it is into this heavily atmospheric and imaginatively potent place, full of ghosts, that the Italian critic, Giovanni Carandente – who was the curator of that Moore exhibition at the Belvedere – was invited by the British Council and the Comune di Roma to put his selection of the work of Anthony Caro, to cover the years from 1960 to the present day.

It is evident at once that this must have been the trickiest of undertakings, for any show in this setting must be quite as much a celebration of the place itself as of the work as such. There is little in the way of collective display, and even where a group of works may be seen together, as on the terrace outside, the surviving rectilinear plan imposes its own conceptual isolation. A glimpse here, caught through a door or window, of another piece, and that is all there is of ensemble. The tops or brightly painted flanks of the works from the



Caro's 'Sculpture Two', 1982: Rome is honouring Anthony Caro as Florence honoured Henry Moore

1960s, set out on that terrace, may be seen from the road to the Colosseum far below, but there is no question of looking in upon any whole battalion, set out in groups or rows for judicious and comparative review.

These works come very much as single pieces which, since Caro's shift, around 1980, away from modelling to the formal disposition of given elements, welded or bolted, have been their essential character. We look in upon the work, and into the very space that its component bars and girders, or latterly the bent and folded sheets of metal or slabs of clay, articulate. The experience of the work is thus so focussed that to come upon

each piece, set up alone in its little shop, is a positive advantage.

The huge variation upon the temple frieze, that was shown last year at the Tate, now commands the great entrance hall. It is neither dominating nor dominated, yet oddly quiet, for the light is flat and low, drained of colour, and the warm, dark masonry is close to the sombre brown patination of the metal. High above, perched on the upper balcony in the sunlight, sits 'Early One Morning' of 1962, bright scarlet, light, open and emblematic, one of the first pieces by which Caro remade his name.

All around to be discovered are the

works of these past 30 years, the one imaginatively connected to the other. Here are the variations, the developments, the contradictions, the return to a kind of modelling, albeit in sheet metal, the figurative references both within the imagery and by association in the titles, and then again the denials of such associations. Such are the inevitable complications of the creative life. But here, at the heart of Trajan's Markets in the proximity of the very early and the most recent, the creative thread is implicitly laid out with a touching clarity.

Anthony Caro: Mercati Traianei, Rome, until August 20: sponsored by Glaxo Holdings.

## Off the wall/Antony Thorncroft A new game show

IN DAYS gone by if you wandered into Sotheby's in Bond Street wanting to pop an antique worth less than £1,000 you were politely directed towards more mundane auction houses. That has all changed. Next Wednesday bids of £500 or less might well capture a Chinese vase or a Persian rug in Sotheby's first "Arcade" sale of oriental art. The saleroom has gone suddenly and dramatically down market.

The traditional view at Sotheby's was that if it had to handle run-of-the-mill antiques it should be done decently away from central London. Eighteen months ago it announced plans to build a vast new auction house within dealer distance of Heathrow. At the same time it was to close down its provincial outposts at Chester and Billingham. This seemed a sensible compromise. In its ideal world Sotheby's would concentrate on bringing in over £100m an hour selling Van Goghs and Renoirs to the Japanese.

But now there have been second thoughts. Sotheby's profits have disappeared as rapidly as the Japanese collectors and there is no relish for a big property investment. Billingshurst has been reprieved and specialist sales are to reappear at Bond Street aimed at the modestly rich who might contemplate collecting Islamic pots, or silver, or watercolours in the £250-£2,500 price range.

We have been here before. A few years ago Sotheby's tempted Yuppies with evening sales of decorative antiques to furnish a Fulham terrace house or a Kent cottage. They never caught on. But a research survey of 10,000 of its customers has convinced Sotheby's that it must shake off its elitist image and try and nurture the younger, less affluent, buyers, some of whom in time might become rich collectors.

The "Arcade" auctions mean that Sotheby's will process another 10,000 lots a year which might eventually contribute £20m to turnover. Not only will the new auctions be attractive to dealers, currently keen to sell off surplus stock at auction to pay off their bank loans, but the promise of payment within six weeks of offering antiques for sale makes Sotheby's an attractive alternative to the pawnbroker.

The new approach is the work of Roger Faxon who came from New York last October to run Sotheby's Europe. Another of his initiatives surfaced last week when anyone watching Super Channel on May 15 would have seen a Sotheby's auction of the Applied Arts television live, with an off the rostrum commentary by David Battie.

This was not just cheap television, or a PR boost for Sotheby's, but a glimpse into the future. Within ten years, only a few diehards will actually attend an auction. Potential buyers will follow the action on television and bid from home. Indeed last week a German viewer was so taken by a 19th century bronze that he phoned through a successful bid. Of course he was not a

total stranger to Sotheby's. You have to have an approved credit rating before you can join in this new game show.

The British Museum has a pleasant problem – what to do with the space to be vacated by the British Library as it starts its slow move to its new £400m home on the Euston Road. The Library actually absorbs 10 per cent of the Museum, including its most architecturally famed hub, the Reading Room.

The Reading Room's eventual re-incarnation is still the subject of dispute, but on Thursday a deal was signed which allows the Museum to start re-developing some BL offices. The Korean Foundation has come up with £1.2m which will finance the British Museum's first Korean gallery in the vacated space. The Foundation is funded by the Korean Government to spread the nation's culture and this is its first donation.

The deal is the latest in a succession of coups which has enabled the BM to completely refurbish its holdings of Asian art. The first was for a Japanese gallery, paid for with £5m mainly contributed by Japanese companies and institutions. In the autumn the new oriental gallery will re-open. Stretching 110 metres it will be the longest single gallery in the UK. It has cost £3.2m to refurbish, of which £2m came from the Hong Kong businessman, Joseph Hotung. The gallery embraces both Chinese and Indian art and culminates in a specially constructed air conditioned section to house the Amaravati marbles from a Buddhist temple near Madras, in their way as striking as the Elgin marbles.

The British Museum has been able to tap the growing prosperity of Asia. It will be less easy to find the money to renovate its galleries of Western art. Its immediate task is to find £3m to transform the other great space soon to return to its control, the magnificent King's Library.

Mary Allen is to be the new deputy director of the Arts Council, replacing Margaret Hyde who struck the job for only a year. Mary Allen, who comes from running the Waterman's Arts Centre, should have a longer stay – David Mellor willing. The attitude of the new Minister of the National Heritage to the Arts Council is unpredictable. On one hand he is opposed to a Quango which takes some of the funding decisions that he likes to exercise; this suggests the Council's role will be down graded. On the other hand Mellor is a centralist and needs the Council to fund those arts companies that are now less likely to be devolved to the care of Regional Arts Boards.

Everything might turn on the London Philharmonic Orchestra. Mellor used to be on its board and has always nurtured it. The LPO does not want to be delegated to the London Arts Board. If Mellor backs its intransigence, other large arts organisations will also be reviewed, and the Arts Council, and Mary Allen, will continue to have a job.

## Guggenheim megalomania

NEXT month the Solomon R. Guggenheim Museum in New York reopens to the public. Its two-year closure has seen not only the restoration of Frank Lloyd Wright's idiosyncratic masterpiece to its "pre-original condition", but the construction of a 10-storey annex to provide additional gallery space on Fifth Avenue and the creation of a new Guggenheim Museum in SoHo, contributing a further 30,000 sq ft for the display of works of art.

Under its new director, 46 year old Thomas Krens, a deal has been signed with the Basque government to build a \$98m sand-blasted steel and concrete Guggenheim in Bilbao, designed by Frank Gehry, and a project mooted for another Guggenheim to be built out of the rock of the Montserrat in Salisburg. The museum's holdings have increased too. In 1990, the Solomon R. Guggenheim Foundation controversially deaccessioned three paintings to finance the \$30m acquisition of 210 Minimalist paintings and sculpture from the collection of the Italian Count Giuseppe Panza di Biumo. The foundation may also accept the gift of his villa at Varese. If that were

not enough, it has also offered to administer an earlier Krens brainchild, a projected \$87m modern art museum in economically depressed North Adams in Massachusetts. Shrouded by builders' hoardings and stripped of its collection, the Guggenheim has generated more column inches in the press than any other flourishing cultural institution. The reason is that Krens is redefining the concept of the public museum for the late 20th century, and finding new ways both of financing and filling it. Moreover, in terms of scale, expense and funding, his Guggenheim resembles more a multinational business conglomerate than a 20th century art museum. Is Krens an inspired visionary, an irresponsible megalomaniac, or a Barnum purveying a new kind of travelling circus?

Krens was appointed in 1983. He inherited a museum with an endowment of \$25m and an operating deficit of nearly \$2m, a monument by probably America's greatest architect in a sorry state of disrepair, and space to exhibit only three per

cent of the museum's outstanding holdings. Now new office, storage and conservation space allows the public to see all of the Wright building for the first time, and for it to be used exclusively for the display of art.

The cost of the New York projects – the annex, the restoration, the SoHo museum on

plus a \$20m fee for its expertise.)

Some \$54.9m has been raised by the Guggenheim Foundation issuing tax-exempt bonds in a deal that took 12 months of staff 18 months to negotiate and produce, in association with the Trust for Cultural Resources, the Swiss Bank Corporation and J.P. Morgan. "It is

As the museum reopens its doors, Susan Moore reports on the controversial plans of its new director, Thomas Krens

Broadway and Prince designed by Arata Isozaki, plus the new conservation workshops and store on the Westside – is \$75m. (The 27 members of the board, all of whom are expected to take a financial responsibility, insist that the Guggenheim bears none of the costs of its overseas projects. Indeed, the Basques are paying for their museum, guaranteeing operations, paying \$50m for acquisitions that complement the Guggenheim collections,

almost free money," says Krens. That may be so, but it has to be repaid within some 20 years. Unlike comparable bonds issued by other cultural institutions, this one is not secured by collateral. If the museum cannot raise the money, the responsibility will fall on the board. If the board fails to deliver, the museum's assets may be at risk.

"Museums often have to change in order to survive," says Krens. "Either their man-

date, or their collection or their audience must change. There is no such thing as a given Guggenheim, so part of what I have to do is to anticipate the way culture is evolving as defined by museums, to articulate a clear set of standards and objectives for the museum and translate those into policies and programs that can be paid for."

Krens is sticking to the museum's mandate – the 20th century. It is the collection that is changing.

The purchase of the Panza di Biumo collection (which, ironically, can never be deaccessioned) is consistent with Krens's stated desire to build on the museum's qualities and strengths. The Guggenheim began life as a Museum of Non-Objective Painting. This collection offers non-objective art of the post-war period, with some 20 works apiece by American Minimalists such as Robert Rauschenberg, Richard Serra, Donald Judd, Dan Flavin, Robert Morris, Bryce Marden and Robert Mangold.

"I believe this will be historically justified as a brilliant

acquisition for the institution. We are now the strongest museum in the world for a particular field, 1930-1975. We own the voice," says Krens. Moreover, the strong association of the museum with particular artists may well inspire artists and collectors to donate works.

Work of such radical scale demands vast spaces, hence Guggenheim SoHo and Bilbao. Krens has been accused of cultural imperialism. A far greater danger is of his opportunism becoming predatory, or undirected. As Krens put it, "the museum's stance and aesthetic outlook is hard to articulate."

Undoubtedly, the Guggenheim will be "a more efficient organisation accessing different audiences essentially with the same product." The implication is that the Guggenheim collections in New York, Venice, Bilbao and perhaps Salzburg, will be constantly on the move. Soon we will see whether, on the one hand, Krens and his impressive international curatorial team will justify the museum's costly expansionist programme. On the other, will they honour their fundamental curatorial obligations of preserving and interpreting its rich existing holdings?

## Salerooms in London and Berlin

### Where the price is right

YOU HAVE to admire art dealers, especially those who trade in 20th century British art. Sales in the past two years have been as rare as pandas yet most have survived. Among the more unfortunate casualties has been the Odette Gilbert gallery of Cork Street and some of her stock is being liquidated at Christie's next month.

If you want an atmospheric Carrel Weight for around £7,500 (less than its price at the 1990 Royal Academy Summer Show) or a strident John Burt Bellamy, or a lesser Freud, Auerbach, or Bomberg, try the sales on June 5 and 12. You could pick up a bargain.

It is ironic that a major gallery should go under just as there are signs that the market in 20th century British art is picking up. Two sales in London this month – a second division auction at Christie's and a sale of important pictures at Sotheby's – have been encouraging. Very few dealers can afford to buy more stock, but that makes the pickings better for private collectors.

Sotheby's was lucky it had five top rank pictures from the collection of the late Lord Wal-

ston. So confident was it of the quality, and so keen to secure the group from the competition of Christie's, that it was tempted to offer the executors a guaranteed sum. In the end it trusted the market and secured auction records of £198,000 for a work by Edward Burra and £170,500 for a L.S. Lowry. Two Lowrys, and two Stanley Spencers, might have made more in 1989 but compared with a decade ago these are extraordinary prices.

Of course some modern British pictures were over-inflated and now fetch up to 50 per cent less than their 1989 prices. But at least they are selling. Harold Harvey is one of the sufferers, but "A Summer Morning" went for £16,000 last week: three years ago it might have edged £30,000, but a year ago, unsaleable.

An excellent example of the state of the market was provided by an early Munnings, "In the shade". A year ago

Sotheby's offered it with an estimate of \$80,000-£30,000 and it was unsold. This time its estimate was £40,000-£30,000 and it went for £37,500. Another Munnings, sent for sale by a distressed Lloyds "Name", a group of potential sellers that Sotheby's is successfully pinpointing, made £26,300, above its estimate.

But Munnings has always been popular. Philip Conrad, bought by collectors who could not quite afford a Laura Knight, offers an example of the fate of middling quality early 20th century British art. His "Windswept" was unsold last year at £14,000 and found a buyer last week at £7,700.

By keeping the estimates low – down 50 per cent on average on 1990 – Sotheby's managed a total of approaching £2.5m with less than 10 per cent unsold, encouraging the market. At Christie's the task was harder – finding buyers for less exceptional works. In the event its sale made around £250,000 and was roughly three quarters sold.

Certain artists, Mary Feiden, Carrel Weight, Dorothea Sharp, are out of favour, but others, Augustus John, Edward Seago, Ken Howard, and Russell Flint, have ridden the recession well. Christie's confidently expects a record for a painting by Robert Bevan, "Horse dealers at the Barbican" which it is offering, with a £70,000-£90,000 estimate, on June 5.

Its auction of post war and contemporary art six days later may have more difficulties. This tougher, more challenging, art has restricted appeal. The UK is acknowledged to have produced some of the fin-

est sculptors of the past 50 years and there are good examples of the work of Elisabeth Frink, Michael Ayrton, Barbara Hepworth, Henry Moore, Lynn Chadwick, and more, carrying reasonable estimates.

With the fall in the market apparently over, frustrated sellers may well be offering more, and better, things on to the market in the autumn. But anyone who has regained their confidence about the financial future could find this summer an excellent time to buy art.

Antony Thorncroft

What more potent symbol of capitalism than an art auction? In Germany, reunification and new east German interest in sales is making ripples in the market which could soon become a splash. Sotheby's, on Unter den Linden since 1990, is bullish about its modern German art sale next weekend. Villa Grisebach, the big Berlin house, drew crowds previewing its major spring sale (May 29 and 30) in Dresden last week. "Nowadays, people go crazy if the Brandenburg Gate is in a picture," says Grisebach's Michaela Kapitzy; good news for the Expressionist renderings of Berlin by Lesser Ury, the Jewish recluse from Silesia, in her sale at around DM160,000. The kernel of the German market, the expressionists, Nolde, Beckmann, Kokoschka, Kirchner, have always been bought by collectors, not speculators, and so escaped the recent rise and crash of, say, French impressionists. Prices increase steadily at 8 to 10 per cent a year; the powerhouse is Ger-

man – 70 per cent of Grisebach's buyers, 90 per cent of Sotheby's, in this sector. Emigre art traditionally went to private Swiss or American collections, whence come most of next week's plums. Otto Dix's portrait of Dresden businessman Max Roessberg (Sotheby's, estimate DM350,000 to DM400,000), and Beckmann's Neuhaus (Grisebach, estimate DM1.9m to DM2.4m – the price may beat Germany's DM2.6m expressionist record) are both emigre American pictures, almost certain to be bought back into Germany. Nolde's exotic "Girl and Lilies" (Grisebach, estimate DM700,000 to DM900,000) and Beckmann's Sea View (Grisebach, estimate DM500,000 to DM700,000), confiscated from Cologne's risked Wallraf-Richartz Museum in 1937 to join the Nazi Degenerate Art exhibition, both come

from Switzerland. But the latest trickle onto the market comes from the east, where art dealing was *strenge verboten*. Now they are the freshest pieces around – Moederobin's Spring on the Moor (Grisebach, estimate DM30,000 to DM40,000), from a private Leipzig collection and previously unknown, is causing a stir. But museums like Leipzig, given grants by Bonn to fill gaps in their collections, are also among the new buyers.

The German market is localised – mountain scenes, which flop in Berlin, soar in Munich – but strong, safe, immune from international recession and speculative Anglo-Saxon habits. Recent exhibitions have spawned wider interest. After a Berlin show, Corinth now finds favour in the US; but artists, like Ury and Liebermann, much admired by Van Gogh, are Berlin men. Says Reuter: "I'd never sell a good Liebermann in New York. If it's a Wannsee garden, you can smell it here."

Jackie Wallschlager

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THERE ARE certain topics which I believe it is boorish to talk about in polite company - in which category I include the readers of this column. These include, in no particular order of preference or portentiousness: property prices, the environment, and Association Football. But, on occasion, needs must.

I was amused to read the conclusions of the experts in last Weekend FT's residential property supplement. Lloyds Bank was quoted as forecasting a "3.25 per cent nominal increase" in house prices over the coming year.

URS Phillips & Drew shaded its forecast down to a nifty 2 per cent. The Woolwich Building Society per contra, stuck its collective neck out, and plumped for "4.3 per cent."

How do all these people arrive

## Not in polite circles but ...

*Dominic Lawson thinks bankers visit the real world only occasionally*

at such incredibly precise figures? And why is it that all these worthless year after year never forecast that prices will actually fall in nominal terms?

They surely do not need reminding that almost exactly 12 months ago they were all standing up to proclaim that the revival in the residential property market had arrived.

I can only assume that they are as keen now as they were then to continue to expand their lending in the housing market, and do not want to scare away the punters.

I do not know any sane man who is ever sure of the current value of his own property, let alone is willing to hazard what the price

of some unknown property will be in 12 months' time. But there seems to be a deep psychological need to value property as though bricks and mortar were comprised of nothing more than a pile of bank notes, and that it is simply a matter of counting these lumped-together bank notes to arrive at a precise value.

A fortnight ago, a leading Sunday newspaper published its eagerly awaited annual supplement, listing the wealth of the richest people in Britain: poor old Lord Cadogan, owner of 100 acres of Chelsea, is now worth only £350m.

Last year, apparently, he was worth £400m. What would actually happen if the crusty old war hero

were to attempt to sell all his property, to find out if the Sunday papers were right? He could not. The market would collapse utterly, beyond even the forecasting ability of Lloyds Bank.

The late Texan billionaire, Lamar Hunt, used to say that, if you knew how much you were worth, then you were not really rich.

Very droll, but in fact the remark applies to almost all of us with any assets worth the name. I, for example, am probably richer than the Reichmann brothers, but I do not know that I am. Late last year Fortune magazine said that the Reichmanns were the fourth richest people in the world, worth £7.5bn. Then I thought the Reichmanns

were richer than I, and they would probably have agreed, in their modest way. Now I read that their assets are worth £815bn, and that their net debts are also £815bn.

By my reckoning, that gives me a greater net worth than the Reichmanns. Perhaps, for they are, as I say, modest men, they might agree with that, too.

I am also richer than Donald Trump, far richer. But Trump would probably not agree. He, like his unfortunate banker, seems to believe in what my Oxford philosophy tutor would describe as the phenomenological concept of richness. This states that there is no such thing as rich, but only perceptions of richness. So to be

"rich" is merely to be believed by people to be rich. In spite of their great tumble, the Reichmann brothers are perceived as being richer than Dominic Lawson, so, therefore, they are richer. This means that they still have far more chance of squeezing \$100m out of a friendly banker than I do, and, although by that act they would become \$100m poorer (still more debts), the world would think of them as \$100m richer.

Perhaps this is what lies behind the meretricious property price forecasts of the banks and building societies. They have lent so much money on the security of property that they must tell themselves over and over again that, in spite of all the evidence of their eyes, their collateral is appreciating. Mankind - even bankers - can stand only so much reality.

*Dominic Lawson is editor of The Spectator.*

## Have a prawn, mate

*Michael Thompson-Noel*



HAVE YOU ever met Rupert Murdoch? If you haven't, you can take it from me that what they say about him is true - that to your face he can be charming and bashful, almost boyish, even though his skin is now cracked by age and his voice has turned raspy. It is only after he has left that it dawns on you that what he really wanted to do was reach for you like a Cape York croc and rip your head off.

I met him again this week, for he summoned me to the Savoy and fed me prawn sandwiches. The purpose of the interview was to establish whether I was suitable to fill the new Rupert Murdoch chair of language and communications at Oxford University.

News International has contributed £3m to create the chair, and the name of the first professor is expected soon.

"Now then, mate," said the aged proprietor. "Let's start with a vocabulary test. Nothing snooty-nosed. Plain and simple language, that's what I like to hear. What is *rocking-horse manure*?"

"Rocking-horse manure," I said. "Is a term for any non-existent commodity. It's what they found in Robert Maxwell's pension funds after he was gone."

"Jolly good," beamed the famed proprietor. "Rubbish?"

"A foolish person."

"Pie-eater?"

"Person of no importance."

"Fossil?"

"Position or place, as in 'Not a

**HAWKS & HANDSAWS**

bad possie, eh mate?"

"Bull's wood?"

"A tall tale."

"Whacko," said the dreaded proprietor. "Now give me a few examples of similes in general use. Nothing elitist, mind."

I smiled winsomely. "Dressed like a pop doctor's clerk."

"Asleep as a Chow on a bike."

"Lousy as a bandicoot. Mad as a meat-axe. As game as Ned Kelly."

"Ripper," said the awesome proprietor. "Now tell me this: who is Clive Soley, and why do I loathe him?"

"Clive Soley," I replied, "is a Labour party housing spokesman. He is absolutely troppo (one who acts as if mentally disturbed). He is introducing a private member's bill in the House of Commons which seeks to compel newspaper editors to balance stories by giving at least two sides of an argument."

"More proof of his madness is that he wants to limit how many newspapers a proprietor can control, as well as how much satellite and terrestrial television he can own."

"According to this dingbat, it is not good enough, in a monopolistic situation, to run opinions as news stories without balancing them with other opinions. Clive Soley is sinister and dangerous. The full might of the media must be directed at bounding him from public life."

Rupert Murdoch roared with laughter and clapped his hands. His chin was stained with prawn juice. "And who," he asked playfully, "is David R. Jones?"

I was now suffused with confidence. Good old Rupe. I thought, he's bowling me easy balls. I frowned with appropriate gravitas. "David R. Jones," I said, "is another sinister and dangerous man. He is deputy managing editor of The New York Times."

"Recently, discussing trends in the US press, he said that too many US newspapers 'have refused to take less return on their investment. They are not prepared to invest in their future.'"

"A year ago, said Jones, The New York Times had spent \$3m expanding its sports coverage in the midst of a recession. 'I cannot point,' he said, 'to one extra reader or advertiser that we got out of it, but we knew we had to do it to keep improving the newspaper. Unless you spend more, and accept that you'll take less profit, you give the opposition a chance to do you down.'"

We sat there, Rupe and I, as stunned as mulets; ashen were our faces.

Finally, the feared proprietor cleared his throat. "Just two more questions," he said weakly. "What do you think of the Queen?"

"Ripper," I said.

"The police?"

"Ripper."

"Whacko," said Rupert Murdoch. "You are a most impressive young man. My people will be in touch."

And then he swirled away, just like a Queensland croc, leaving me immobilised by a black, implacable terror.

*Private View / Christian Tyler*

## Palestine's front-line philosopher

WHILE Scud missiles dropped on Tel Aviv, Sari Nusseibeh sat in Ramla jail reviewing a book on medieval logic.

Locked in a small cell for 23 hours a day, he also studied the Koran and other texts borrowed from Shi'ite Muslims detained on the same block. He corrected the proofs of his own book, *No Trumpets, No Drums*, a manifesto for a two-state Palestine written with Mark Heller, an Israeli defence expert, who was at the same moment sheltering at home with his gas mask on.

Nusseibeh is a Palestinian from an old Jerusalem family, a philosophy professor educated at Oxford and Harvard, and - these days - leading adviser to the Palestinian negotiators at the Middle East peace talks.

His arrest 12 days after the Gulf War began was due, apparently, to the interception of a phone call he received from the Iraqi ambassador in Tunis. The Israeli Press (though not the detention order itself) accused him of spying.

"The first night they came and took me to a reception centre," he said. "They put me in a cell with a lot of criminals, both Arabs and Jews, drug addicts and so on, who were very excited that I was there."

"Then the radio started saying I was in because I was an Iraqi spy

students, and set up a lecturers' union.

For several years he was forbidden to cross into Jordan. The English language weekly report he started on the *intifada*, the Arab uprising, was banned. His East Jerusalem office was closed for three years.

"There was a lot of harassment," he told me. "I was brought in for interrogation on several occasions. Then there was a lot of press talk of my having been involved with directing the *intifada*. Some said I had given them money for various activities."

Nusseibeh has denied being a member of the Palestine Liberation Organisation. He is certainly an activist, though regarded as a moderate both by western diplomats and by PLO militants (who in 1986 beat him up for it).

I met him in his mother's house in the Nablus Road, one of the handsome stone villas built outside the walls of Old Jerusalem, right on the former partition line. Its reception rooms resembled a Parisian *salon*. On the wall was a portrait of Sari's late father, Anwar, a minister in the Jordanian cabinet, ambassador to London and governor of Jerusalem.

I found the son friendly, donnish courteous and with an impish air. He has an ironical way



seventh century AD. In the 13th century the family became keyholders of the Church of the Holy Sepulchre, an office it still performs.)

There were two kinds of equitable settlement, Nusseibeh continued. One was government of the land equally shared in a single, binational, state. The other was a land divided in two states.

"Both sides seem to find this option preferable," the Israelis because they want a predominantly Jewish state, the Palestinians because they want to assert their national self-determination - which you have to address if you want to be free of nationalism."

I asked him about Palestinian opposition to the talks and tensions within the PLO. Is the tension between people in Palestine and those outside?

"This is a general misconception. The distinctions don't break down into inside and outside. They can be between brother and brother. The insider-outsider differences are other. Outsiders are wealthier, for example."

Or they're at Harvard University?

"Or they're at Harvard, exactly. People are for or against negotiations regardless of where they happen to be."

Are you just waiting for a change of government in this country on June 23?

"Well, I believe it is impossible for us to move forward until then. I do not expect Likud (the right-wing governing party) to change its ideology, and I do not expect the Americans to put sufficient pressure on it to make it give up. So the only alternative is a change of government."

It's now very much up to the Israeli man in the street, the voter, who is being presented with two kinds of option. Nusseibeh described the choice as the chance of a peaceful life, with economic progress and integration, or perpetual isolation and hardship. It was one of the more crucial decisions in Israel's history, he added.

So is it for you a matter of negotiating from Israeli weakness rather than from Arab strength?

"Yes, absolutely. I mean Shimon Peres in the Labour Party has been saying: 'we have won the battle of the past, we have been able to create a state, but we still have the battle for the future. And to guarantee ourselves a place in the future we have to give something back. We have to make compromises with the Palestinians.'"

But maybe they are prepared to live indefinitely in a half-world. I said, neither formally annexing the west bank and Gaza, nor handing them over, while continuing to build settlements.

"I think they have come to realise, some of them, that if they continue along this path, very soon it's going to be irreversible. Very soon they will have to decide: do they want to be an undemocratic state in 'Greater Israel' or a democratic state in the Land of Israel. That's why this is a critical juncture."

*'I don't ask myself whether the Jews have the moral right to be here or not. I don't think it's a necessary question. Nor do I ask who did what to whom first.'*

who was directing the Scud missiles. Of course, I was afraid of them. But the fantastic thing was their reaction was totally the opposite. It was: 'Look at all this bullshit they're saying about you.' They didn't believe it. But of course other, more educated, people in Israel and elsewhere might have been ready to believe it."

It was not the first time the mild-mannered logician had been in trouble.

After undergraduate days at Christ Church, Oxford, he had given up politics to bury his nose in Frege's symbolic logic, which he studied with Quine in the US, and in the metaphysics of Ibn Sina (Avicenna), the 11th century interpreter of Aristotle, for a Harvard PhD on Islamic philosophy.

But politics was waiting for him when he came home to teach at Bir Zeit, best known of the Arab universities set up in the Israeli-occupied West Bank. (The Israelis closed the university in 1988, reopening it only last month.) Meanwhile he had married Lucy Austin, daughter of the celebrated Oxford philosopher J.L. Austin.

"Having lived in a world of pure ideas, I was suddenly dropped into the middle of the real world in which, looking around me, I found the problems a total mystery. I had to go through a new process of learning," he said.

He fought for academic freedom at Bir Zeit in defiance of Israeli restrictions on texts, courses and

of speaking, and a flinty eye which suggests a gift for sarcasm.

I asked him whether his philosophical training carried weight with his comrades. Do they rely on you for a wisdom you don't possess?

"No. In real life everyone is a wise man. In order to make your advice heard you have to do more than be a wise man. It's not enough to think you know what should be done, but necessary to be involved enough to make it happen."

How much are these negotiations for you an exercise in comprehension and logic, I asked, and how much a matter of emotion? How do you regard the state of Israel?

"Well, frankly I would have preferred it if there were no Israel and no Israelis to contend with. Obviously, an all-Arab Palestinian state in all of Palestine would be for me a preferable option."

"On the other hand you have to contend with reality; therefore you have to make compromises. You have to learn how to make those compromises in a way that best protects your interests."

We discussed the different motivations of Israeli and Palestinian peace-seekers. Nusseibeh said: "I don't ask myself whether the Jews have the moral right to be here or not. I don't think it's a necessary question. Nor do I ask who did what to whom first."

You don't seek to apportion blame?

"I find this a total waste of time. I think one should begin from here and see what one can do."

But in going forward, I said, you have to take some account of where you've been. Do you think the Palestinian leadership played its hand badly in the past, that its response to the fact of Israel and subsequent encroachments was so hostile as to make it incapable - until now - of finding a compromise?

"I know what you mean. But I think you have to be very careful here. You could look at it mathematically or logically and say that the Palestinians or Arabs done this or that in 1947 or whenever then things might have been different; therefore they were wrong to do what they did. However this is a very cold, unsympathetic way of looking at things. In a sense it's true, but in a sense also not realistic."

"Take my parents' generation for instance, who start from the point of view that this is all theirs, that the Jews have no right here. As far as they are concerned the Jews came from outer space."

(Nusseibeh's family believes it came from the Saudi desert at the time of Caliph Umar who conquered Persia, Syria and Palestine in the

*Dispatches / Gillian Tett*

## Orphans of the Afghan storm

ON THE day that Dr Najibullah, the former Afghan president, was deposed from power in Kabul, Bugher Odrat, headmaster of an Afghan "orphanage" in former Soviet Tajikistan, was faced with a dilemma.

Should he take down the portraits of Najibullah that plastered the walls of this remote institution several hundred kilometres from Afghanistan? Or should he leave them as a memento to the regime that had now collapsed?

"Normally, of course, we would take them down," he says, sitting in his shabby office, nervously sipping green tea from a bowl. Outside the window a gaggle of rainsoaked Afghan children go back and forth across the yard. "After all, everything has changed," he adds melodramatically.

But the problem, he explains, is the children. When the black and white Najibullah photos disappeared from their classrooms, they staged a rebellion: one by one they had picked up the photos and pinned them back on the walls.

"These children have grown up loving Najibullah and 'grandpa' Lenin... it is difficult to explain to

them," admits Odrat with a wry shrug.

In the coming months Odrat will have a lot more explaining to do. For the ramshackle orphanage he presides over, in the depths of the Tajik countryside, is no ordinary one. Set up for Afghan children back in the early days of Soviet power in Afghanistan, for more than ten years it has been training - or indoctrinating - a generation of Sovietised Afghan children.

The Soviets claimed that this has been done for humanitarian reasons. Every year scores of illiterate "orphans" have been brought from war-ridden corners of Afghanistan to orphanages such as Odrat's.

Once behind the blue and white orphanage walls, they have been receiving an intensive communist education - an education that was designed, Odrat says, to transform them into doctors, engineers and

teachers, ready to serve Soviet Afghanistan.

According to anti-Soviet Afghan Mujahideen, the real role of these orphanages has been rather more sinister. They believe these orphanages have been training the

under pressure to return to "home", as the money to support the orphanages fast runs out.

"When I think about it, I feel a little scared," admits Farhod, a 12-year-old from Badakhshan, the mountainous province in the east of

a doctor," he says slowly, chewing incessantly on a grimy piece of bubblegum. With his tattered tracksuit and gap-toothed smile, he seems an unlikely candidate for a surgeon - or spy.

His friend, seven-year-old Rasul, is rather more forthcoming: "When I grow up I want to drive a tank, with a big gun that goes 'boom'" he says with a lisp.

Across the muddy courtyard, dotted with placards proclaiming "Peace to the World", Sadiqa has more practical matters on her mind. Her father, a bank clerk, has also suddenly resurfaced - and asked her to go "home".

However, she fears that back in Kabul she will have to wear a veil. Up until now she has always dressed in so-called "Russian clothes" - cheap, acrylic blouses and skirts.

"We are trying to prepare them to return home, to tell them about their culture," explains Elena, a

*'Plans are afoot to take down the painting of "grandpa" Lenin frolicking with lambs and children in a flower-strewn meadow'*

children - most of whom were not orphans anyway - as spies and soldiers.

Either way, the collapse of the regime in Afghanistan has left the "orphans" looking like yet another sad casualty of the Afghan war. For, after ten years of exile from their native Afghanistan, these Najibullah-loving children are now

Afghanistan. Like many children there, he is not a real orphan, but was sent eight years ago by his father, a colonel in the Soviet-backed army. He is not sure if his father is still alive. But he recently received a letter from a cousin, asking him to return to Badakhshan.

"I'd rather stay here and become

Russian teacher.

As the school's official "history" teacher, she used to drill the pupils in the principles of Marxism. Now, along with some Tajik teachers, she has been co-opted into the incongruous task of teaching the Koran.

"Afghanistan is now a Moslem regime - the children have to prepare for that. They cannot live in Russia," she adds, standing in a classroom that was recently converted into a tiny mosque.

Along the corridor, Russian language signs are being replaced by the Persian script. A mural titled "Communist heroes of the Afghan army" has been discretely covered by pastel coloured posters describing the wildlife of Asia. And plans are afoot, she says, to take down the ten foot high painting of "grandpa" Lenin frolicking with lambs and children in a flower-strewn meadow.

I asked cautiously, looking at a door poster of the man who Mujahideen groups are vying to kill.

She smiled uncertainly. Maybe he would be removed next month, she mumbled - or, at least, when the children weren't looking.

میرزا حسن آقایی